

Sept 1950

Blooms

# Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

The World's Daily Newspaper

Paris, Monday, March 13, 1995

No. 34,847

## Turmoil Grips Mexico Over Shock Plan For Economy

### Massive Bankruptcies And 500,000 Lost Jobs Seem To Be Inevitable

By Anthony DePalma  
New York Times Service

MEXICO CITY — People throughout Mexico reacted angrily over the weekend to a shock-treatment economic plan that is expected to cost 500,000 jobs and send thousands of companies into bankruptcy.

Mexican officials are bracing for several months of rising social tensions and fierce political struggles. They said half a million people were most likely to lose their jobs in the next two months, joining the 250,000 who became unemployed in January and February.

The plan, designed to calm foreign investors and ensure a \$50 billion international aid package, is expected to provoke a recession that will last all year. Interest rates of 90 percent and higher on mortgages, credit cards and car loans will push many families into insolvency.

Millions of Mexicans awoke Friday to find that gasoline prices had jumped a third overnight and that electricity costs were up 20 percent. The government also plans to increase its value-added tax, a type of national sales tax, by half.

The measures have already caused a wave of indignation throughout Mexico. "We need a capable government, not one that is always trying to hurt us," said Joaquin Abonce, 65, a locksmith who had just finished paying his monthly electric bill in Mexico City.

"They raise the price of electricity, of gas, of transportation, and then everything goes up," he said. "This country is rich, but it is governed by bad people."

Officials at the highest level in government said the hardship caused by the plan would add to existing turmoil caused by investigations that implicate the government in two sensational political murders and the social conflicts in states like Chiapas, where an armed rebellion that started 15 months ago has yet to be quelled.

The same backlash could cost the governing Institutional Revolutionary Party four state governorships that are to be decided in elections this year. Last month, the party lost the governor's race in Jalisco State.

"Without a doubt, the economic crisis is going to cause enormous social pressure," one senior government official said. The official said the public outcry would be great, and the demonstrations as well. But he said he did not think protests would necessarily be violent or would threaten the economic stabilization plan.

[Opposition leaders — and even some ruling party members — in the Congress were also gearing up to fight the new economic strategy when its session reconvenes this week, the Los Angeles Times reported. Specifically, they vowed to defeat the proposed 50 percent increase in sales taxes, which the government conceded will help push inflation to at least 42 percent this year when combined with a 35 percent increase in gasoline prices and a 20 percent increase in electric bills.]

[The Associated Press quoted a report by the official Reuters news service that said union leaders would lodge a formal protest over the economic plan with lawmakers. Congress must still approve many of the plan's measures.]

Compounding the government's problem

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Fidel Castro of Cuba arriving on Sunday at Queen Margrethe II's Christiansborg castle in Copenhagen. He heads to France on Monday. Page 5.

## Gore Tells UN Poverty Talks of U.S. Shift on Aid

By Barbara Crossette  
New York Times Service

COPENHAGEN — Vice President Al Gore, speaking Sunday on the last day of a United Nations conference on poverty attended by more than 120 world leaders, said that the Clinton administration planned to channel nearly half its foreign aid through private organizations, not governments, within five years.

The United States also will increase support to projects that decentralize political power and give more authority to

local communities in the developing world, Mr. Gore said.

Both steps, part of what the administration is calling its New Partnerships Initiative, respond to critics of foreign assistance, who say that millions of dollars are squandered by inefficient or corrupt governments. The policy also is in line with a growing perception that private aid groups, both American and foreign, are better able to identify needs and deliver help more effectively.

Mr. Gore acknowledged that this is a difficult time for social development spending at home and abroad, but tried

to reassure his audience that Washington was not withdrawing from the world. In the debate on foreign policy, he said, what is being tested is "whether we will step back from the front ranks of nations that recognize a bond of shared responsibility toward men and women elsewhere in the world who are struggling to climb by their own efforts out of degradation and despair."

"I believe that at the end of the day, the United States will not step back," the vice president said. "The Clinton administration believes that in its commitment to remain engaged we have the support

of the vast majority of the American people in both our major political parties."

A few hours after Mr. Gore's speech, the UN development program stopped its "poverty clock," which calculated the number of children born into families around the world earning a dollar a day or less. The tally was 598,070 babies born since March 3, when delegates at a parallel forum for private groups began to gather in Copenhagen.

"We have turned off the display, but of course the clock ticks on," said James

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## Clinton Choice for CIA Chief To Have Policy-Setting Role

By John F. Harris  
Washington Post Service

WASHINGTON — President Bill Clinton has announced that John M. Deutch, his choice to take over the Central Intelligence Agency, will have cabinet rank and be granted a broad role in setting national security policy.

The upgrading of the CIA directorate, which officials said Mr. Deutch had sought before agreeing to take the job, is a significant organizational shift.

Only one previous CIA director — William J. Casey, who under President Ronald Reagan ran what congressional investigators later called a renegade foreign policy — has had cabinet rank. Traditionally, the CIA is a servant of the president and other policymakers in the government but is not itself a sponsor of policies.

Even as Mr. Clinton hailed the ascension of Mr. Deutch, the Pentagon's second-ranking official, as "a dynamic, brilliant leader with all the necessary skills for

this critical assignment," he bemoaned the fate of General Michael P. C. Carns, retired, of the U.S. Air Force, who withdrew his name Friday night.

In a statement, Mr. Clinton said allegations made against General Carns in the course of a background investigation "could be misconstrued" and exploited by opponents in a political climate that has become too corrosive.

[The White House chief of staff, Leon E. Panetta, on Sunday criticized what he said was the "tabloid" atmosphere that punishes those seeking public office. Reuters reported from Washington.

"We are in a period where there is just a much higher level of scrutiny," Mr. Panetta said in a television interview. "Here's General Carns who has had a 30-year career, he's a war hero, flown 200 missions over Southeast Asia, gone through Department of Defense background checks, security clearances, unanimously acclaimed when we nominated him for this position,

See CIA, Page 6

## G-7 Unlikely to Put Dollar Together Again

By Carl Gewirtz  
International Herald Tribune

PARIS — The modern version of "all the king's men" — the deputy finance ministers of the Group of Seven industrialized countries — will meet here Monday, but the prospect of their doing anything to end the disorder on the foreign exchange market is as likely as putting Humpty Dumpty together again.

Leading academic experts insist that the change-rate instability is endemic — the inevitable consequence of unrestrained capital flows that are able to exploit the international inconsistencies of national economic policies.

"There will be continued episodes of excessive volatility and persistent misalignment of exchange rates that we are witnessing at the moment," said Willem Buiter, professor at Cambridge University. "It's endemic."

So long as there are no restrictions on capital flows, "that's part of the price we pay for having uncoordinated global monetary policies,"

Charles Wyplosz at Insead, the French

business school at Fontainebleau, agreed that there was little of significance that could emerge from the meeting on Monday as long as the two principal participants — the United States and Germany — remain steadfast in their insistence that interest rates are targeted to domestic objectives rather than to maintaining the external value of their currencies.

"The more the United States and Germany are asked to coordinate their policies, the less likely they will do it — just to preserve the appearance of complete independence," Mr. Wyplosz said.

In Mr. Buiter's view, "the logic of complete financial integration and unrestricted mobility of capital is a common world currency."

"Otherwise," he added, "we will continue to see the kind of destructive nonsense we see at the moment. National monies are a thing of the past. They are anachronistic."

Acknowledging that the creation of a world currency is not politically feasible, Mr. Buiter concluded that there was no escape from "the current regime of excess volatility and persistent misalignment" of exchange rates.

He and Mr. Wyplosz agree that the main problem now is the huge size of the amount of money available to be mobilized to move across borders and in the

See G-7, Page 5

## Croatia Chief Drops Plan To Push Out UN Troops

### Tudjman's Stance Seen As Preventing War, but He Asks 50% Force Cut

By William Drozdiak  
Washington Post Service

COPENHAGEN — Croatia agreed Sunday to allow United Nations troops to remain on its territory after their mandate expires at the end of this month, a concession hailed by the United States and its allies as an important move toward preventing a wider Balkan war.

But the reshaped UN force probably will be less than half the size of the present 12,000-man unit.

The deal was announced by President Franjo Tudjman of Croatia and Vice President Al Gore, who held an hourlong meeting on the fringe of the United Nations World Summit Meeting for Social Development. It capped weeks of intensive diplomacy by U.S. and European officials to persuade Mr. Tudjman to reverse his demand that UN troops leave his country.

"This is very good news," Mr. Gore said at a press conference with the Croatian leader. "I consider this a major step away from war and toward peace."

Mr. Gore said the new accord was urgent because "we decided we must find a way to give diplomacy some breathing space." But he acknowledged problems on the road ahead, especially in persuading

In Sarajevo, a bullet hit a plane carrying the UN's top officials in Bosnia. Page 5.

the rebel Serbs to cooperate in the new mandate for the reduced UN force.

The vice president said the United States would seek a fresh UN mandate for the smaller force, with the dual task of policing the country's borders with Serbia and Bosnia while serving as a buffer between Croatian forces and those of rebel Serbs who occupy a large swath of land along its frontier.

Earlier this year, Mr. Tudjman declared that UN forces were no longer welcome in his country because their presence had consolidated the hold of rebel Serbs on about 30 percent of his country's territory. The 12,000 UN troops were dispatched to the area to separate Croatian soldiers from the rebel Serbs in early 1992 after six months of fighting.

The United States, Germany and France have pleaded with Mr. Tudjman to allow the troops to remain in place, warning that their departure could ignite a fresh round of warfare between Croatia and the Serbs and trigger an escalation in the fighting in neighboring Bosnia.

Croatia is desperately seeking greater economic and military aid to spur its development and integration with the West. In recent weeks, the U.S. and its allies delivered messages to Mr. Tudjman hinting that his government faced abandonment by the West if he fulfilled his threat to expel the UN troops.

Now that he has performed what Mr. Gore praised as "an act of great vision," Mr. Tudjman is expected to reap some rewards. Germany has promised to push through a trade and aid package for Croatia with its European Union partners, and Mr. Gore said Mr. Tudjman would be honored in Washington this week.

The Croatian leader, who may face difficulty at home explaining his turnaround on a politically popular stand to banish the UN troops, insisted that he had not backedtracked but merely wanted to galvanize world attention and speed up the solution of the problem involving the occupied parts of Croatia.

The agreement to establish a new, smaller force of perhaps 5,000 UN soldiers under a new mandate to be approved by the Security Council, possibly by the end of the month, will enable Mr. Tudjman to save face by contending that old force and its mandate have indeed been removed.

Even if a new Security Council resolution is not ready by early April, the current force will be allowed to remain in position in order to avoid a vacuum before the replacement contingent is ready.

But the arrangement carries liabilities. The UN troops have experienced grave problems carrying out their mission until now, even with 12,000 troops. Cutting the force to 5,000 soldiers, while expanding their duties to include border patrols with Serbia and Bosnia as well as the existing role of a buffer force, could make their new assignment virtually impossible to fulfill.

See BABY, Page 6



CHIRAC RIDES HIGHER — Jacques Chirac, the conservative candidate for the French presidency whose lead was bolstered by a weekend poll, visiting ski students on Sunday high in the French Alps at Anceles. Page 5.

## Somalia Clan Leaders to Hold Talks

MOGADISHU, Somalia (AFP) — Somalia's two main faction leaders, General Mohammed Farrah Aidid and Mohammed Ali Mahdi, are to hold talks next week on finalizing a peace process in the war-ravaged country, officials said Sunday.

A 12-member joint negotiation committee appointed by the two warlords, who are bitter rivals, said the pair planned to meet in Mogadishu's port on March 20.

## PAGE TWO Canada's Seal-Hunting War

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## In Life-or-Death Choice, Pregnant Cancer Sufferer Had Her Baby

By Anna Borgman  
Washington Post Service

WASHINGTON — Clementina Geraci, three months pregnant, made the decision of her life when doctors told her last spring that her breast cancer had spread. She could fight the cancer aggressively and have an abortion, or she could take less hazardous cancer drugs and carry the baby to term.

Four months ago, she gave birth to Dylan Geraci Winn. And last week, Dylan, wearing a light blue knit jumper, slept peacefully at his mother's funeral.

A black beret covering her balding head, Dr. Geraci spent the best of her final days at the hospital and her home, holding Dylan and making videotapes for him to watch as he grows up.

The steroids had distorted her face and body, but she wanted her son to know who she was and who she had been. On the tapes, Dr. Geraci told him about his Italian grandparents, about her favorite music, about her dreams for him. And she read bedtime stories, including Dr. Seuss's "Green Eggs and Ham."

Dr. Geraci, known to friends as Tina,

died last Monday at Washington Hospital Center, where she had worked as a resident in obstetrics and gynecology. She was 34.

"She didn't win, but she forced death to change its terms," said Pierre Tourelle, Dylan's godfather. "She died with dignity."

More than 100 friends and family members gathered at a church service to remember her. They described a strong, vivacious, passionate woman who lived her life with integrity, loved music and cooked a mean marinara sauce.

"She was a stereotypical fiery Italian,"

said her husband, David Winn, a resident at George Washington University Medical Center. "She had a bit of a temper, but she was always concerned about everybody else."

Dr. Geraci was diagnosed with breast cancer two years ago when she asked to have a mammogram. Routine self-exams had not detected a lump, but Dr. Geraci's mother had died from the disease, and she wanted to be careful.

She had a mastectomy, and doctors told her that the cancer appeared to be gone. They advised her to wait six months before getting pregnant, al-

though no one knew if the chemotherapy might make her sterile. After getting the all-clear, she did become pregnant.

Then Dr. Geraci started seeing spots and having blurry vision. The cancer had spread to a lung and an eye. By the time she gave birth, it had metastasized throughout her spine, liver and brain.

"We all understood" what her chemotherapy choice meant, said Oscar Mimms, the obstetrician who delivered Dylan. "They were two people in love who made a conscious decision to have a baby. Who was I to say otherwise? They were both

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'Huggers' vs. Hunters/Ottawa Tries to Revive Trade

## Crisis Over Fish Stocks Recharges Canada's Seal-Hunting War

By Anne Swardson  
Washington Post Service

**I**N THE GULF OF ST. LAWRENCE — The white baby seal lifts his head, looks around and yowls plaintively. Quickly, he gets what he is looking for. His dark-coated mother, poking her head from the water through a hole in the thick ice, gives him a reassuring nuzzle, just as members of her species have done through the ages.

This particular maternal gesture, however, is greeted by a chorus of oohs, aahs, coos and shutter-clicks from a group of orange-suited, wide-eyed city folk, brought here, near the Madeleine Islands in the central part of the Gulf of St. Lawrence, by a fleet of helicopters. It is not just seals who revel in the sweet joys of whelping season.

The days when Canadian pelt hunters bashed the skulls of baby harp seals such as these are gone, but the war over seal hunting rages on.

Each year at this time, the International Fund for Animal Welfare, which almost single-handedly shut down the seal hunt here more than a decade ago, flies dignitaries and journalists to the ice floes for a firsthand look at the baby seals saved from the hunter's club.

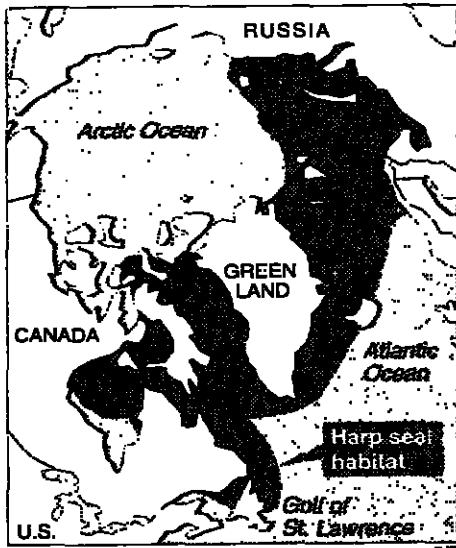
At the same time, the government of Canada and some very unhappy and unemployed seal hunters are searching for ways to revive the seal trade without alienating world opinion.

**T**HEY see the need as particularly great this year because fish stocks have declined so drastically — in part, locals say, because seals are eating them — that former fishermen along the impoverished Atlantic Coast need another way to make a living.

This year, the Canadian government is offering a 15-cent-a-pound subsidy for seal meat in the hope of developing a market for it. In addition to a professional hunt, it will also allow amateurs to kill up to six adult seals each when the much-reduced annual hunt takes place later this month.

Officials of the International Fund for Animal Welfare say the moves could lead to another round of confrontations between hunters and "seal huggers."

Thomas P. Moliterno, North American animal welfare coordinator for the International Fund for Animal Welfare, said the Canadian government admitted that it was "committed to expanding the seal hunt threefold."



He added, "This does not have the makings of a hunt seen favorably in world opinion." The now-defunct hunt for the whitecoats, as harp seal cubs are known before they shed their baby fur during weaning, may have been the biggest international public-relations disaster that Canada has seen.

For hundreds of years, men had been killing seals in the Gulf of St. Lawrence and off the northeast coast of Newfoundland, the two spots in North America where harp seals give birth on the ice after migrating south from Arctic waters each year.

The pelt hunters used hooked clubs to kill the whitecoats so the seals did not get unnecessary holes in their hides.

**B**UT the clubs looked even more brutal than guns, and in the 1970s animal welfare groups, equipped with helicopters and cameras, began bringing in foreign politicians and journalists to record the annual spring hunt.

The televised images of baby seal corpses bleeding onto the white snow in front of their mothers strongly influenced Western opinion. In 1983, the European Community banned the import of pelts of pup seals; imports of seal products were prohibited by the United States in 1972.

In 1987, Canada banned the killing of whitecoats after a threat of further action by the

International Fund for Animal Welfare, including an international boycott of all Canadian fish products.

Since then, Canadian seal hunters have been able to find a market for only 50,000 or so adult seals each year, about one-fourth of the government quota they are allowed to kill.

Many hunters say they are hurting financially. Sharp declines in the number of cod have virtually ended commercial fishing off Newfoundland, Nova Scotia and other Atlantic provinces. The cod fishing grounds have been closed by the Canadian government in hopes that stock will recover.

Although the cod was mainly done in by overfishing, two components of seal diet are cod and the cod's favorite food fish, the capelin.

**T**HERE is disagreement about how much cod is eaten by harp seals, but seal hunters and seal experts say harp seals are consuming at least some of the fish that the government does not allow fishermen to catch, slowing the cod's revival.

"We are to blame, too," said Ghislain Cyr, a seal hunter from the Madeleine Islands. "No one is clear on the fish. But seals harm the effort the government is making to build cod stocks up."

About 10 years ago, angry hunters on the Madeleine Islands overturned and damaged a helicopter of the International Fund for Animal Welfare. Relations have not improved much since then.

Whether harp seal numbers have risen is disputed, but the government says they have.

Jean-André Hache, senior adviser for fisheries management for the federal Department of Fisheries and Oceans, said that from 1985 to 1990, the population of harp seals climbed from 2 million to 3.1 million. More recent figures will be issued this spring.

Canada hopes that its subsidy program will encourage the hunt and thus stimulate processing companies to find new uses for seal products.

To the International Fund for Animal Welfare, the strategy does not make sense. Why try to create a market just so more seals can be killed, it argues.

"If you've got a subsidy, that's a sure sign there is no market," Mr. Moliterno said. He said the International Fund for Animal Welfare would respond to the subsidy program with a "high-profile, hard-hitting campaign."



Harp seals, once clubbed, are being blamed for low cod stocks.

## EU Refuses Talks With Canadians Over Boat

Compiled by Our Staff From Dispatches

**BRUSSELS** — The European Union will not negotiate with Canada to end a standoff over fishing rights unless Canadian authorities first release a Spanish trawler and its crew, European officials said Sunday.

But more than 10,000 Newfoundlanders, many of them thrown out of work by the disappearance of fish stocks, gathered on Sunday to express support for Canada's seizure of the trawler, and Canadian officials said they would charge the skipper of the Estai with overfishing offenses.

The Europeans also were taking a hard line, and the Spanish fisheries minister, Luis Atienza, said in Madrid that there would be no discussions of fish catch quotas until the boat was freed.

The EU fisheries chief, Emma Bonino, said the Canadians must "immediately free" the Estai "before any contacts between the two parties."

The trawler arrived Sunday afternoon in St. John's, Newfoundland. Ambassadors to Canada from the EU, Spain, Germany and France were at the harbor to meet it.

The skipper faces a maximum penalty of \$750,000 Canadian dollars (\$555,000) and the loss of his catch of turbot, or Greenland halibut, which Canadian fisheries officials pledged to auction off to the highest bidder as soon as the boat arrived. The Estai's crew would be released and sent home, the officials said.

In a statement released Saturday night, Ms. Bonino repeated the EU's threat of sanctions against Canada in retaliation for what she called "an act of organized piracy."

"The Union will examine its relations with Canada and study all appropriate measures, without exception," Ms. Bonino said in a statement released by the European Commission.

The Canadians seized the fishing boat Thursday after firing warning shots across its bow.

Ms. Bonino said the EU was opposed to overfishing and accepted an international limit of 27,000 tons on the overall catch of turbot in the area this year. What the EU disputed, she said, was its share of that total.

(AP, Reuters)

## Bolshoi's Rebellious Dancers Go Back to Work

Reuters

**MOSCOW** — The matinee ballet performance at the Bolshoi Theater went ahead on Sunday, but dancers said a backstage rebellion over the theater's director, which caused Friday's performance to be canceled, was still simmering.

The dancers struck for the first time Friday after Yuri Grigorovich, the Bolshoi Ballet's

artistic director and chief ballet master for 30 years, quit following a long dispute over the running of the theater with Vladimir Kokonin, the Bolshoi's general director.

"Nobody likes Kokonin," said one dancer, who spoke on condition of anonymity. Bolshoi artists have been forbidden to give interviews.

"But the public is paying a lot

of money to see us," she said after the performance of the children's ballet "Pinocchio."

The company appeared divided between those wanting to strike again and those who felt the show must go on.

There was talk among the dancers that performances should be halted until the end of March, one dancer said.

The dancers accuse Mr. Ko-

konin of being isolated from the company and of being incompetent. The introduction of short-term contracts has upset artists used to the Soviet-era job-for-life system.

On Saturday, Mr. Kokonin suspended 15 dancers who announced as the curtain was due to rise on Friday that they were refusing to go on stage.

## Sinn Fein Chief, in U.S., Praises Clinton's Role

Reuters

**NEW YORK** — Gerry Adams, president of Sinn Fein, the political arm of the Irish Republican Army, has begun a 10-day visit to the United States by commending President Bill Clinton's contribution to the peace process in Northern Ireland.

"His engagement in the peace process has been positive and at each intervention he has helped to move it along in a very positive way," Mr. Adams said of the president on arriving in New York on Saturday.

Mr. Clinton, ignoring opposition from the British, gave Mr. Adams permission last week to raise funds in the United States as long as the money was not used to buy arms for the IRA. Mr. Clinton also invited Mr. Adams to the White House on Friday, St. Patrick's Day.

Asked what assurances he would give that money raised

would not be used for arms for the IRA, Mr. Adams said: "It isn't an issue, because Sinn Fein isn't the IRA. Secondly, it is patently obvious to me the IRA does not need arms since they have ceased those activities, and thirdly, we have employed the accounting firm of Price-Waterhouse to make sure of our accounting system."

Price-Waterhouse later issued through its director of communications for Europe, Sue Hurley, a statement denying that it had been hired by Sinn Fein.

The IRA called off its hostilities last September. Protestant gunmen, fighting to preserve British rule, called a matching truce in October.

Mr. Adams said in New York that Mr. Clinton's involvement was more important than the money likely to be gained by his organization, saying the president's action was important "in practical terms in helping the peace process to evolve."

"There aren't millions of dollars here to be soaked up by Sinn Fein," he said.

He said the real peace talks had yet to start since the IRA ceased hostilities more than half a year ago.

"It's time to start talking about everything with everyone at the table and everything on the table so that we can have a lasting peace," he said.

## Pilots' Strike Grounds Half Of French Carrier's Flights

**PARIS (AFP)** — More than half of all flights by the French domestic carrier Air Inter were canceled Sunday afternoon when pilots began a 60-hour strike to protest job cuts, airline management said.

Air Inter said it had limited the damage by organizing 30 extra flights before the strike began at midnight Sunday. The strike is to end at midnight Tuesday.

Hoping to salvage the leaning Tower of Pisa for 80 more years, engineers have begun work on an

underground cable network designed to pull the structure back toward center. (AP)

Egypt is bidding to attract more Japanese tourists — considered the country's biggest-spending visitors — as it slowly rebuilds its tourist industry, which has been badly damaged by three years of Muslim militant violence. "Despite a 10-hour flight, the number of Japanese tourists rose from 45,767 in 1993 to 58,728 in 1994," an increase of 28 percent, said Fayza Hammam, an official at the Egyptian Agency for Tourism Promotion. (AFP)

The United States has joined several other countries in limiting its visa services in Algeria, where a recent series of bomb attacks killed at least one person and injured three others. Algerians seeking nonimmigrant visas to the United States must now make their demands at embassies in "neighboring countries," according to a U.S. Embassy announcement in Algiers newspapers over the weekend. (AP)

## This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

**MONDAY:** Cuba, Gibraltar, Lesotho, Zambia.  
**TUESDAY:** Andorra.  
**WEDNESDAY:** Belarus, Hungary, Liberia.  
**THURSDAY:** Israel, Nepal, Sri Lanka.  
**FRIDAY:** Canada, India, Ireland, Israel, Northern Ireland.

Sources: J.P. Morgan, Reuters.

## Correction

In review of Giorgio Armani's Milan fashion show in the Saturday-Sunday editions, a quotation by Eric Clapton was mistakenly attributed to Elton John.

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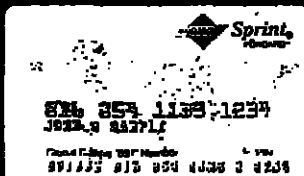
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Bahamas	8-10-158	Finland	1-800-751-7877	Portugal	0800-35-577	Philippines	195
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Bolivia	022-903-04	Greece	02-354-4777	Romania	0800-12	United Arab Emirates	800-131
Brazil	1-800-369-2111	Hong Kong	191	Saudi Arabia	009-43	United Kingdom (ST)	0800-89-0877
Canada	800-777	India	004-900-100-3	Spain	009-44	United Kingdom (ST) (mobile only)	0900-89-0877
Chile	1-800-877-8000	Indonesia	9800-1-0254	Sweden	800-777	Vietnam	173-887
China	0800-10014	Italy	99-0287	Switzerland	153-4777		800-111-0
Colombia	1-800-423-0877	Japan	013-0013	Taiwan	8-9-197		
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## THE AMERICAS

## 'Welcome,' Wallace Tells Rights Marchers in Alabama

By Rick Bragg  
New York Times Service

MONTGOMERY, Alabama — The marchers swarmed around the old man in the wheelchair, some to tell him he was forgiven, some to whisper that he could never be forgiven, not now, not a million years from now.

Yet to all of the people who retraced the steps of the Selma-to-Montgomery civil rights march 30 years ago, George C. Wallace offered an apology for a doomed ideal.

The former Alabama governor, whose name became shorthand for much of the worst of white Southern opposition to the civil-rights movement, held hands with men and women he had once held down with the power of his office. To one aging civil-rights war horse, he mumbled, "I love you."

Three decades ago, he was preaching the evil of integration and found

approval, even adoration, in the eyes of many white Alabamians.

There was the legendary stand in the schoolhouse door, to keep blacks from registering at the University of Alabama. It was his state troopers who used riot sticks and tear gas to control and intimidate marchers on the way to Selma. Then, he took his message nationwide in a run for president in 1968 and again in 1972.

An assassin's bullet in 1972 crippled him, but his old words and views echo today on the lips of conservative politicians and others, even though the man people here just call "Th' Guv'nor" has long since capitulated, apologized and begged for forgiveness.

Now 75, in a wheelchair for a third of his life, he was too old and sick to make a speech to the 200 marchers, mostly black, who gathered at the St. Jude School in Montgomery, as they did on this day three decades ago. Instead, an aide read his remarks as

Mr. Wallace, who is almost completely deaf, sat in silence.

"My friends," the aide read, "I have been watching your progress this week as you retrace your footsteps of 30 years ago and cannot help but reflect on those days that remain so vivid in my memory. Those were different days, and we all in our own ways were different people. We have learned hard and important lessons in the 30 years that have passed between us since the days surrounding your first walk along Highway 80."

A woman in a brown beret quietly said, "Amen."

"Those days were filled with passionate convictions and a magnificent sense of purpose that imposed a feeling on us all that events of the day were bigger than any one individual," the speech continued. "Much has transpired since those days. A great deal has been lost and a great deal has been gained, and here we are. My message

to you today is welcome to Montgomery."

"May your message be heard. May your lessons never be forgotten. May our history be always remembered."

The marchers applauded. For 10 years now he has admitted the wrongness of his deeds 30 years ago. Still, to many of the people who suffered at the hands of the law enforcement officers he ultimately commanded, it was important that he said it on this symbolic day.

But 30 yards away, Rufus Vanable, 58, sat under a pine tree and refused to listen.

"I ain't even interested in what he's saying," said Mr. Vanable, a retired construction worker who was part of the march that was bloodied on the Edmund Pettus Bridge in Selma. "If you lived through it, you wouldn't be either. If he thinks this will ease his mind in some way, let him do it. I'm not interested in looking at his face. It brings back too many memories."

"Seeing him say that he's sorry ain't gonna do me no good at all."

As the marchers sang "We Shall Overcome," Mr. Vanable sat under his tree and sang to himself.

Others were more forgiving.

"Thank you, for coming out of your sickness to meet us," said Joseph E. Lowery, the national president of the Southern Christian Leadership Conference and an organizer of that first march. "You are a different George Wallace today. We both serve a God who can make the desert bloom. We ask God's blessing on you."

"It's very important, in this day and time," said Gerri Perry, the principal at St. Jude's. "It is important for people to see him, saying this."

"Back then, 30 years ago, I didn't think I would ever see anything like this."

What she saw was an old man wanting to set things right, for whatever reasons.

## POLITICAL NOTES

## Congressmen Attack Own Pensions

WASHINGTON — One of the last great perks of Capitol Hill — congressional pensions that are more generous than retirements most Americans enjoy — have come under attack by members of the very group able to claim them as a plush cushion in old age.

Eight House Republicans and one Democrat lined up in a Rayburn Building hearing room to pummel their pension system, long derided on talk radio as a symbol that Washington politicians have it better than the common man.

Representative Howard Coble, Republican of North Carolina, called the retirement plan for members of Congress "inexcusably lavish," fueled by frequent cost-of-living increases to create a "pension millionaires club."

Representative Steve Stockman, Republican of Texas, included a chart in his testimony showing that 45 incumbents defeated in the last election are eligible to collect more than \$81 million during retirement.

He said that the former speaker of the House, Thomas Foley, Democrat of Washington, would receive an annual benefit of \$123,804, while another former House power, Jack Brooks, Democrat of Texas — the incumbent that Mr. Stockman knocked off — would draw a \$96,462 annual pension. (WP)

## Tobacco Firms Smoke Out Benefit

WASHINGTON — One of the big beneficiaries of the legislation to limit civil damage awards, which passed the House on Friday, has not been heard from in the debate. But tobacco companies, which are facing an increasing number of well-financed and novel lawsuits, stand to gain in several respects should the bill become law.

Tobacco companies could particularly benefit from a crucial change in the bill: limits on punitive damage awards, which are used to punish companies for conduct that judges and juries deem outrageous.

The bill caps punitive awards at \$250,000, or three times the amount awarded for economic losses, whichever is higher. (WP)

## Representative Issues an Apology

WASHINGTON — Representative Fortney (Pete) Stark, Democrat of California, has apologized to Representative Nancy Johnson, Republican of Connecticut, for calling her a "whore for the insurance industry" in a private conversation three weeks ago, a Stark aide said.

Mrs. Johnson's staff confirmed that an envelope from Mr. Stark, addressed to the congresswoman and marked "Personal and Confidential," arrived at her Capitol Hill office.

"He apologized. He sent a letter of apology over to her," the Stark aide said.

He declined to release the letter but said it made the "unequivocal apology" that 32 female members of the House had demanded.

It was the second time in a year that Mr. Stark had insulted Mrs. Johnson, with whom he serves on the Ways and Means Committee. (WP)

## Quote/Unquote

Michael P.C. Carns, on his decision to withdraw his nomination to be director of Central Intelligence: "I see no reason to put my family through it, and I see no reason to put myself through it because it would embarrass me and the administration." (NYT)

## NASA Opens Bids In Quest to Build A Reusable Rocket

By Warren E. Leary  
New York Times Service

WASHINGTON — The space agency has begun a competition within the aerospace industry to design and build a new family of reusable rockets that would eventually replace the space shuttle and other satellite launchers.

In a move that could fundamentally change the way the United States puts payloads into space, the National Aeronautics and Space Administration last week selected four companies to propose new launch systems that would not only greatly reduce the costs of space flight but also take NASA out of the business of building and operating its own fleet of rockets.

If the program is successful, experts said after the announcement, it will result in a new generation of reusable rockets, owned and operated by private industry, that the government and other customers would pay to use when they needed to launch satellites or other cargoes.

Turning the space launching business over to private industry would not only reduce the cost of the space program but also would encourage a robust commercial space industry in the United States to compete with the rocket-building programs of other nations.

Under the plan, the government would pay for research on new rocket technology and would finance the building of subscale, flying test rockets to see if the new systems work. Then it would be up to the aerospace industry to finance the construction, operation and marketing of the rockets.

"This will fundamentally change the space program and fundamentally change NASA," said the agency's administrator, Daniel S. Goldin. "NASA will become a smaller, leaner research and development agency, emphasizing cutting-edge science and technology, and not putting its resources into operating rockets."

Experts said the effort would be economically viable if NASA and other government users serve as "anchor tenants" providing a core of business as the industry develops a private base.

"This concept represents a real transition to the next phase of space flight," said John Logsdon, director of George Washington University's Space Policy Institute in Washington. "It's certainly the next step beyond the shuttle for routine and affordable access to space."

About half of NASA's \$13 billion budget goes for maintaining and operating its aging fleet of four space shuttles. While reusable, the shuttles are based upon early 1970s technology. On each flight, the shuttle's large external tank is discarded and its twin rocket boosters must be recovered at sea for refurbishing, an expensive process.

The new program calls for developing a large, totally reusable, unpiloted rocket that takes off, goes into orbit and returns as a single unit. Such a rocket should be able to lift shuttle-size payloads and carry 25,000-pound (11,300-kilogram) cargoes to the planned international space station, program officials say.

The program also calls for developing a smaller, mostly reusable rocket that could take small payloads, 1,000 to 2,000 pounds, into low Earth orbits.

## California Storms Kill 7 In a New Burst of Fury

SAN FRANCISCO — Central Californians were reeling Sunday from storms that have killed at least seven people, inundated several towns and driven thousands from their homes.

Five other people were reported missing after at least three cars plunged into flood waters that swept away a bridge on a California freeway, officials said.

A series of Pacific storms since Wednesday has shaken all California, hitting many areas only just recovering from floods in January.

The storms caused mudslides and flooded highways in southern California, flooded hundreds of homes and businesses in several northern California communities and brought down trees and power lines, leaving 50,000 people without power.

A total of 34 of California's 58 counties declared local states of emergency because of the storms.

A spokesman for the California Office of Emergency Services said damage was "easily" in the millions of dollars, although the state had not yet estimated losses.

The cost of repairing or replacing washed-out bridges and damaged roads would be high, officials said.

January's storms caused at least \$1.3 billion of damage and led President Bill Clinton to declare much of the state a major disaster area.

The National Weather Service warned there could be record flooding along the Salinas River in central California, affecting the towns of Salinas and Spreckels, about 90 miles (145 kilometers) south of San Francisco.

Other storm victims included two cross-country skiers, found dead on Saturday on the eastern slopes of the Sierra Nevada mountains near the California-Nevada state line, officials said.

The two men, in their 30s, apparently were lost in a blizzard. They were found only 300 yards from a house.

## Away From Politics

Two teen-agers shot a 65-year-old New Jersey woman in the head as she was pulling her car into her driveway, left her on the ground and took off with the vehicle, the police in Montclair said. They were captured hours later. The woman, Sheila Gillespie, was in a coma. (AP)

Fire swept through a bedroom at a homeless shelter in Philadelphia, killing four children. The fire broke out on the second floor of the Salvation Army's Red Shield Homeless Center for Families. (AP)

A study of 73,029 women found that those who were most active had about a 40 percent lower risk of heart attacks and strokes than the least active, and even modest activity produced significant drops in risk. Dr. JoAnn E. Manson, the study's director and co-director of women's health at the Brigham and Women's Hospital and Harvard Medical School, said, "This study suggests exercise has comparable benefits in men and women." (AP)

A former researcher accused of shooting a professor in Illinois killed himself a day later on the campus where they had worked together. John Arthur Costalupes shot himself in the head after a

scuffle with policemen guarding the dean's office at the University of Minnesota medical school in Minneapolis. Campus security had been tightened after authorities learned that Mr. Costalupes, 45, was back in the area where he and Mario A. Ruggero worked together nearly 10 years ago. Authorities believe that Mr. Costalupes shot Mr. Ruggero on Thursday in a parking lot at Northwestern University. Mr. Costalupes, a research assistant under Mr. Ruggero at Minnesota from 1985 to 1987, claimed that Mr. Ruggero stole his work and got him fired, the police said. Mr. Ruggero, 51, was in serious condition with bullet wounds. (AP)

## U.S. Cuts Off Remaining Military Aid to Guatemala

New York Times Service

WASHINGTON — The Clinton administration has announced that it is suspending the last of its small military aid to Guatemala.

The decision to come as an American woman planned a hunger strike in front of the White House to draw attention to the disappearance of her husband in Guatemala.

Administration officials acknowledged that they were suspending the \$200,000-a-year program partly in response to pressure from the woman, Jennifer Harbury. She is seeking the administration's help in getting information about her husband, a Guatemalan guerrilla leader believed to have been captured in 1992.

The State Department said it was suspending the program to protest what it called human rights abuses and Guatemala's failure to turn over information about six killings and disappearances, including the case involving Mrs. Harbury's husband. The five other cases also have U.S. connections.

In 1990, the United States cut off most military assistance and all arms sales to Guatemala because of concerns about widespread rights abuses.

Mrs. Harbury said in an interview that she believed the military had held her husband in a secret prison and tortured him since his capture.

## AMERICAN TOPICS

## U.S. Apples in Japan: The Shine Wears Off

Washington state apple growers say that sales in Japan, after getting off to a flying start when trade restrictions were eased, are now flagging. The growers are now working to keep the Japanese interested.

Shippers have sold nearly 480,000 20-kilo (42-pound) boxes of apples to Japan since the trade opened Jan. 9 in the flurry of excitement that greeted the end of Japan's 23-year ban on such imports.

But sales over the past month have trickled to 80,000 boxes, and shipments will fall short of the 700,000-box goal the industry hoped to meet by April 1.

For the 1995-96 season, the Washington Apple Commission has allocated \$100,000 for promotional activities to keep the Japanese interested.

Commission officials cited a number of possible reasons for the slowdown, including a competitive response from Japanese growers, who lowered prices for their apples when the imports arrived, eliminating some of the price advantage of U.S. apples. They also began selling lesser-quality Fuji apples in bags instead of diverting them to processors as they normally would have.

"We have our work cut out for us," a commission spokesman said. "The conventional wisdom among people not familiar with the market was that once it was open, the hard work was done."

## Short Takes

Bagel sales have mushroomed in the United States and so have bagel-related injuries. Chesapeake Bagel Bakery started with one store in the Washington area in 1981, for example, and now has 35. The trouble is caused by the round shape of the bagel and its texture — hard crust outside, soft center. Since the bagel is difficult to hold on a breadboard, the tendency is to hold it firmly in the hand while pressing down hard on the knife to get through the tough crust.

All too often, the knife goes all the way through to the user's hand. For such unfortunate, bagel-related injuries, bagel cutters are recommended. Bagels were brought to America by Jewish immigrants at the turn of the century. The Washington Post says, "There is even a Yiddish word to describe a person who cuts himself while cutting bagels: klutz."

A stolen Pablo Picasso painting worth \$650,000 was discovered in the back seat of a car stopped by Chicago police for a routine traffic violation. The 1928 oil-and-acrylic painting, titled "Tête," was stolen from an art gallery last January. It appeared to have a small scratch on it, but otherwise seemed none the worse for wear, said the gallery co-owner, Paul Gray.

"It may be worth a lot of money," he said, "but the potential market is very small and very sophisticated and very hard to reach. So it's a misguided effort to steal these kinds of things." The two men in the car were jailed on charges of grand larceny.

International Herald Tribune

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## ASIA

## Hanoi Is Reminded Of Broken Promises

### Ex-Revolutionary Makes Plea For the Regime's Lost Ideals

**HO CHI MINH CITY** — As Vietnam celebrates 20 years of reunification, a former revolutionary believes the government has broken its promises — and dares to say so.

Dr. Duong Quynh Hoa, a Paris-educated physician, spent seven years in the jungles treating Communist guerrillas during the war with the U.S.-backed government of South Vietnam. She was a party member and health minister in the guerrillas' provisional government.

But after the South fell in 1975 and Vietnam was reunited under the Communist government in Hanoi, she objected to the party's mass arrests of Southerners.

She dropped her membership and devoted herself to medicine, but remained a passionate observer of politics and society, speaking with a candor that is startling in a country that brooks no legal opposition.

"We are at the 20th anniversary of the revolution," Dr. Hoa said recently in her office at the Center for Pediatrics, Development and Health, which she founded after the war. "We must put the question: Were we faithful to our ideal? Are you sure that you are not corrupted? Are you sure that you're fighting for the better life of your people?"

"I think the government has lost a big part of the confidence of the people because they don't keep their promises," she added. "Have they given happiness to the people? I say, 'No.'"

Others have been jailed for saying far less. But Dr. Hoa's revolutionary past gives her a special immunity.

Dr. Hoa has no interest in organizing an opposition movement and is not well-known outside Vietnam's small political and professional elite. She is not likely to change Vietnam's

leaders. Soldiers who fought for the party have received little back, the push for development is exacting a social cost, drug use and prostitution are rising, and corruption is spreading.

In her opposition to rapid commercialization and her concern for the poor, she sounds like the party's conservative wing.

What is different is her prescription. The leaders call for tighter party control. Dr. Hoa urges democracy.

"For me socialism is social justice, is tolerance, is respect for human rights," she said. "The most important thing is liberty of the press. If everyone can talk very frankly, very freely, you can have something more constructive for the country."

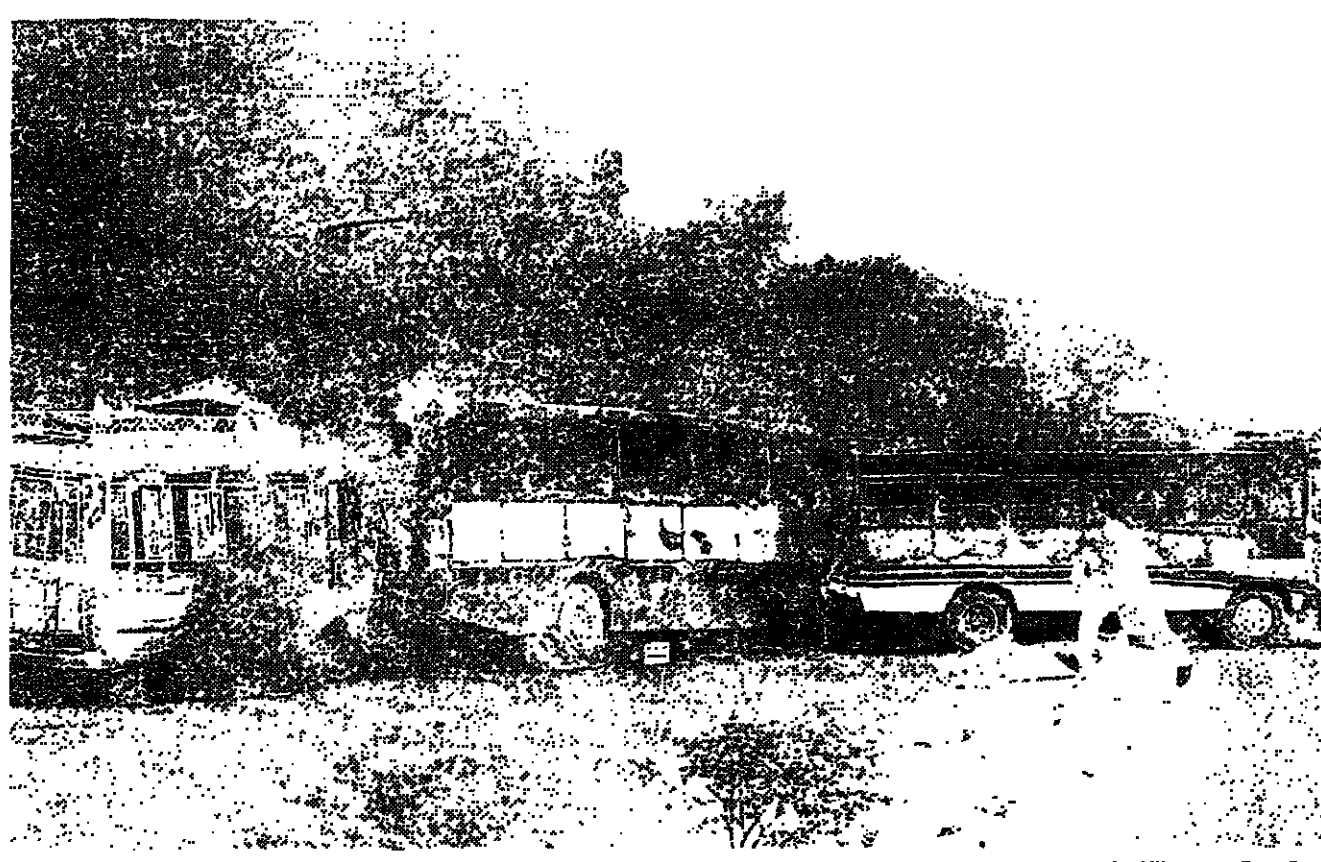
The party has set itself an impossible task in trying to convert the sluggish state-managed economy into a modern, free-market system without relaxing political controls, Dr. Hoa said.

In 1975, the party alienated many Southerners by seizing private shops and factories and trying to force farmers into communes. It has reversed course, but kept the old methods.

Noting the growing gap between rich and poor, city and countryside, Dr. Hoa predicts political change will come whether the party wills it or not.

"The party is like the sorcerer's apprentice," she said. "It is unable to control the situation."

"Most of the people are not satisfied but dare not tell the truth," she added.



A man running from buses set on fire by Muslims who had gathered to bury seven children killed in a Karachi mosque.

## 6 Die in Pakistan During Security Sweep

**KARACHI, Pakistan** — Six people were killed in unrest that erupted Sunday after the police detained at least 77 people believed responsible for the wave of violence here.

The security sweep followed a promise by Prime Minister Benazir Bhutto on Saturday to wage a merciless campaign against those behind the blood-letting in Karachi, where two U.S. Consulate officials were ambushed and killed on Wednesday.

"The administration has to be ruthless," she said.

The police said they had shot and killed three people and wounded six in western Karachi's Pak Colony in clashes with members of the Haqiqi faction of the ethnic Muhajir National Movement, or MQM.

Three other people were killed in the Pak Colony riots, but the police said they died in clashes between rival groups. Haqiqi supporters protesting the overnight raids blocked roads with flaming tires and stoned police vehicles in Pak Colony and six other districts, the police said.

In recent months, the Haqiqi

leader Afaq Ahmad has bitterly criticized American policies, accusing the United States and India of plotting to separate Karachi from the rest of Pakistan.

The latest mayhem triggered panic selling at the Karachi Stock Exchange, where the 100-share index tumbled 1.91 percent.

Sunday's deaths raised this month's toll from violence in Karachi to 86. At least 329 people have been killed this year in the port city, where about 800 people were killed in 1994.

A police spokesman said

more than 100 homes had been raided and 77 people arrested in two of Karachi's four main districts. More arrests were expected.

The crackdown targeted both wings of the MQM, the Shiite Tehrik-i-Jafria Pakistan faction and the militant Sunni Sipah-i-Sahaba Pakistan group, he said.

The police spokesman said he did not know if the detainees included suspects in the attack on the Americans, but said at least three self-styled commandos, believed to be involved in more than 20 murders, had been seized.

## BRIEFLY ASIA

### Seoul Police Free Assembly Chief

**SEOUL** — Riot policemen stormed the official residence of South Korea's parliamentary speaker, Hwang Nak Joo, on Sunday, freeing him and ending a six-day protest by opposition lawmakers.

Witnesses said about 300 policemen forced their way into the occupied residence of the National Assembly speaker, who had been prevented from leaving his home by 10 members of Parliament from the main opposition Democratic Party. The protesters were aimed at the government's proposed changes in electoral laws. Policemen also raided the home of the deputy speaker, Lee Han Dong, and ejected another group of opposition lawmakers, witnesses said.

The dispute over the electoral bill is centered on revisions that would ban political parties from participating in elections for county, ward and minor city positions in June 27 local elections.

### Sri Lanka Asks New Tamil Talks

**COLOMBO** — President Chandrika Bandanaratne Kumaratunga has asked Tamil rebels to resume peace talks early next month and offered to send them the government's proposals before the meeting.

She made the request in a letter dated March 6 and has not yet received the guerrillas' answer, government officials said Sunday. The rebels recently told visiting Western diplomats that they would drop conditions they had set for the next round of talks once the government submits its proposals to end the 11-year-old ethnic war.

In October, the government began the first round of official peace talks with the rebels in nearly four years, and two months ago an open-ended cease-fire was reached. But no peace talks have been held since Jan. 14 and both sides were accusing each other of preventing negotiations by making unreasonable demands or proposals.

### 85 Killed in Fiery Wreck in India

**MADRAS, India** — An oil truck collided with a passenger bus and burst into flames on Sunday, and then a tractor-trailer carrying a wedding party slammed into the fiery wreckage. At least 85 people died.

Only one person in the three vehicles survived the crash on a highway in the southern state of Tamil Nadu. Press Trust of India news agency said. The bus was on a scheduled run from Bangalore to Madras and the accident occurred 50 kilometers (30 miles) south of Madras.

### Tension Rising in Kashmiri Siege

**SRINAGAR, India** — Kashmiris went on a panic-buying spree Sunday ahead of planned protests against the Indian Army siege of a town where scores of armed Muslim rebels were believed to be hiding inside a shrine.

About 5,000 soldiers backed by light artillery ringed the town, aiming to flush out guerrillas and foreign mercenaries believed to be inside the shrine.

## VOICES From Asia

**Ringo Wong**, 29, an accountant whose apartment overlooks a Hong Kong stadium where residents forced a ban on pop concerts because of the noise: "I can appreciate the concerns of residents when someone like Alan Tam plays. Fair enough, we don't want to listen to him. But the Stones, that is something completely different."

**Park Jin Won**, Democratic Party spokesman in South Korea, as riot policemen dispersed protesters blockading the home of the National Assembly speaker: "We're withdrawing on our own because we don't want the people to see their lawmakers being taken away by riot police troops."

**Vithal Gadgil**, a Congress Party spokesman in India, after his party was beaten in two state elections: "There is an anti-establishment wave."

## India Railroad Project Set for Start-Up

**BOMBAY** — India's largest railroad project of the century is finally set for launching after being diverted by controversy since work on it began four years ago.

But some environmentalists and citizens' groups believe the Konkarn Railway, hamstrung by alleged poor planning, technical problems and rising costs, could still run several years late if not stopped altogether.

The 760-kilometer (475-mile) railroad will carry freight trains beginning in June and passenger trains starting in December, according to the latest timetable set by the state-owned Indian Railways.

When it is commissioned, the Konkarn Railway will provide a direct rail link between India's southern and western coasts, cutting traveling time by one-third. It will go through the states of Karnataka, Maharashtra and Goa and link the seaports of Mangalore, Bombay and Mormugao along the Konkarn coast of Maharashtra.

The railroad would be a boon to the Konkarn region, where about 200 industrial projects worth 634 billion rupees (\$20 billion) are in the pipeline.

"We are on schedule and will meet the current deadlines," said E. Sreedharan, chairman and managing director of the Konkarn Railway Corp.

The railway, construction on which began in 1990, had originally set an October 1994 start-up. But Mr. Sreedharan said work was slowed "by adverse geological conditions, such as hard rocks and also very soft soils."

He said the foundation and piers of most of the 143 major and 1,670 small bridges had been put in place and about 70 of 88 tunnels bored through.

The cost of the project is expected to be 19 billion rupees, he added. The project ran into criticism from environmentalists and heritage activists in the former Portuguese enclave of Goa, who said rice fields would be destroyed and old Portuguese churches damaged by the rumble of the speeding trains. They succeeded in forcing the railroad to take a different route.

Citizens' groups now say the present schedules will not be met and warn that rising costs could still kill the project.

"Only about 40 percent of the total work on the railroad has been completed," said M. K. Jos, spokesman for the

All Goa Citizens Committee for Social Justice and Action.

Mr. Jos, an industrial consultant, said the railroad was "moving toward an inevitable tragedy."

"This is a very risky project," he said, adding that large parts of the railroad pass through low-lying lands and soft soil that has already begun to sink. "I doubt if they will be able to bear the load of trains running at speeds of between 120 and 160 kilometers an hour," he said.

Claude Alvares of the Goa Foundation, a nongovernmental organization, said politicians, officials and contractors had teamed up to milk the railroad.

"It is an exploding scandal," he said. "It will not be ready until 2000." He added, "There is even a possibility the railroad might never run as our experts have estimated its final cost to be about 50 billion rupees. The cost burden will crush it."

Mr. Alvares said work on the railroad had ravaged the countryside. "Entire hills have disappeared as truckloads of mud are scooped away for the embankments, which still keep sinking and settling," he said.

## 10,000 Injured In Tibet Blizzards

**BEIJING** — Blizzards in a main cattle-raising area of Tibet have left more than 10,000 people with frostbite or snow blindness, the Xinhua news agency said Sunday.

Although the storms in the Nagqu region north of Lhasa have abated and no human deaths have been reported, about 40 percent of calves in the area have died. Xinhua said that some people were short of food because they used grain stocks to feed their cattle.

Money, food, medicine and clothing were being collected to be sent to the region, Xinhua said.

## Japan Expels 2,178 Aliens

**TOKYO** — A total of 2,178 foreigners were deported from Japan last November and December for illegal entry, the immigration bureau said Sunday.

## Hindu Nationalists Advance in India, Loosening the Congress Party's Grip

**NEW DELHI** — Hindu nationalists defeated the governing Congress (I) Party in an important state election and appeared to be winning another Sunday, prompting some lawmakers to demand that Prime Minister P. V. Narasimha Rao resign.

Mr. Rao's party won a surprise victory in a less important third state, and no results were available in a fourth one.

The state legislative elections will have no direct effect on Mr. Rao's powers, and he is not required to hold another general election until 1996. But the poor showing in Gujarat and Maharashtra states will give a boost to Congress Party dissidents, who are also demanding his ouster.

In addition, the results could force Mr. Rao to slow economic reforms, which have led to double-digit inflation. That helped

defeat his party in three other state elections late last year.

The Hindu nationalist Bharatiya Janata Party easily defeated the Congress Party in the legislative election in Gujarat, in northwest India. In 1992, the BJP helped organize a rally of Hindu radicals that destroyed an ancient Muslim mosque in the city of Ayodhya, touching off nationwide Hindu-Muslim riots.

In the neighboring state of Maharashtra, where India's commercial center of Bombay is located, an alliance of the BJP and the Hindu radical group Shiv Sena was leading Sunday.

Shiv Sena was widely accused of promoting Hindu-Muslim violence in Bombay that killed at least 800 people after the Ayodhya attack.

Both parties say India should end its status as a secular state, adopt Hinduism as the official

religion, and revoke special privileges for minorities. As the election results came in Sunday, the Bharatiya Janata Party, the largest opposition group in India's Parliament, demanded that Mr. Rao resign.

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## EUROPE

## Bullet Hits Plane With UN Envoy To Bosnia

**SARAJEVO, Bosnia-Herzegovina** — A bullet hit a plane carrying the United Nations envoy, Yasushi Akashi, and his two top generals, piercing the fuselage and narrowly missing a passenger's head as the aircraft landed in Sarajevo on Sunday, the UN said.

No one was wounded by the single small-arms round, but it was the most serious attack on senior UN peacekeeping officials in nearly three years of war in Bosnia.

Aboard the jet were Mr. Akashi and Lieutenant Generals Bernard Janvier and Rupert Smith, UN military commanders for all of former Yugoslavia and Bosnia, respectively.

The shooting occurred as the three officials arrived here on a mission to salvage Bosnia's fraying cease-fire in talks with the Muslim-led government and its Serbian foes.

UN sources present at the airport said that at least three shots were fired and seemed to have come from Bosnian Serbian positions south and east of the runway.

The Serbians' Sarajevo-area army corps denied responsibility.

"An impartial analysis of the incident will show where the bullets came from," it said in a statement carried by the Bosnian Serbian news agency SRNA.

A UN spokesman described the shooting as "outrageous." Mr. Akashi vowed he would not be cowed by warring factions.

"I don't know who did it but nobody can intimidate me with this kind of thing," Mr. Akashi said. "I'm rather insensitive to these matters."

North Atlantic Treaty Organization planes thundered over the airport afterward in a display of strength, dropping chaff and firing flares to confuse any anti-aircraft missiles in the area, which straddles the front lines between government troops and the Serbs.

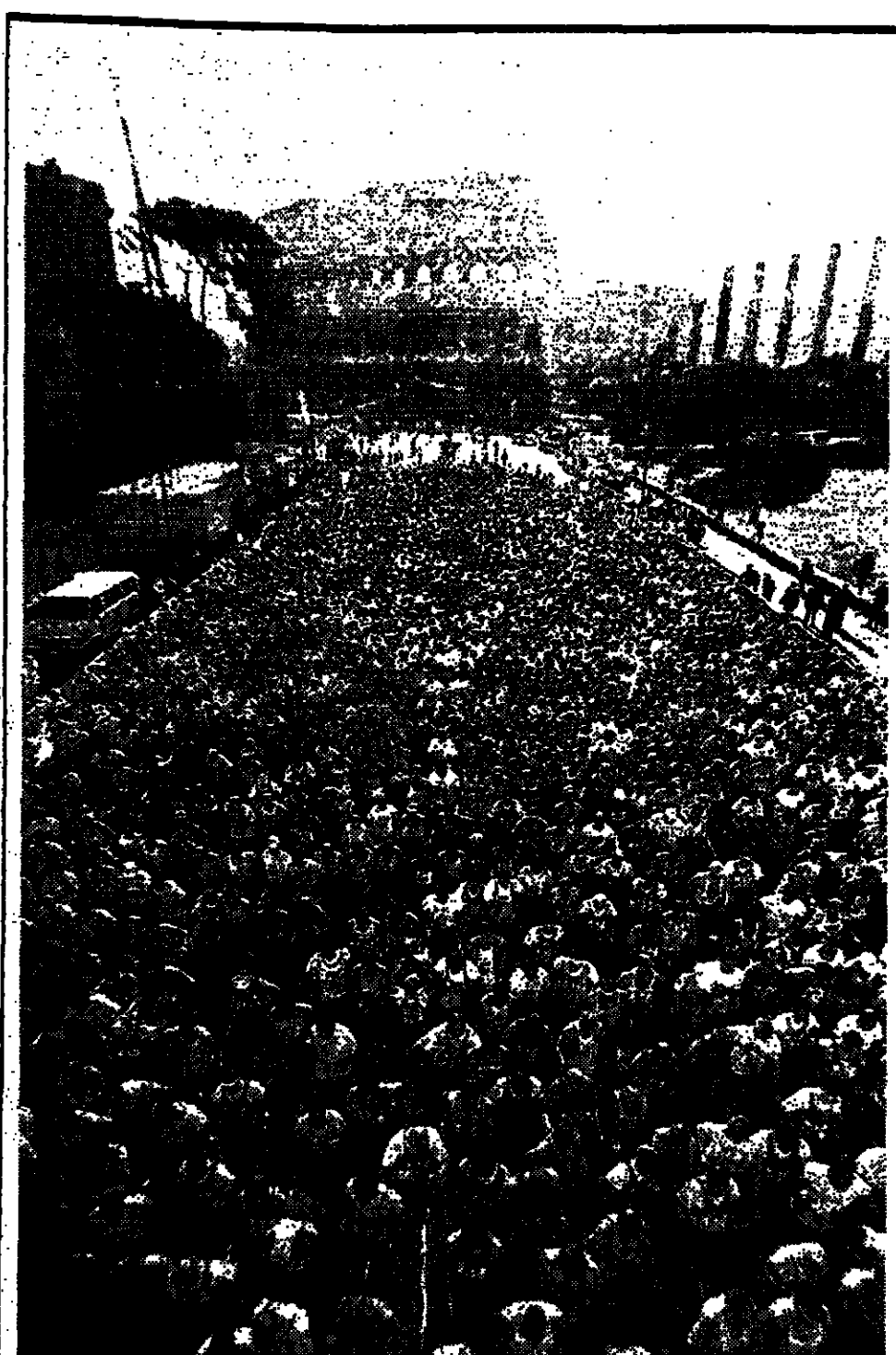
A bullet hole was clearly visible on the right side of the plane's fuselage just behind the rear window.

A passenger on the charter aircraft, who asked not to be named, said the bullet hit with an audible thud and came within a foot of the head of a French UN officer.

"Some people hit the floor of the aircraft when the round struck," the passenger said.

Mr. Akashi's visit was prompted by increasingly serious violations of a four-month truce and a freedom-of-movement agreement signed by the Bosnian government and the Serbs. The agreements expire on May 1.

Sniper fire has claimed a number of victims in Sarajevo over the past week, including two young girls who were killed on the Bosnian Serbian side of the line on Saturday.



ETERNAL ROAM — Runners taking off Sunday on the 26-mile Rome Marathon.

## Opponents Plan Protests to Greet Castro's High-Profile Visit to France

**PARIS** — Cuban opponents prepared to demonstrate Monday during Fidel Castro's first visit to France, while Danielle Mitterrand, the wife of President François Mitterrand, praised the Cuban government and said its leader was "no dictator."

The three-day visit by Mr. Castro posed a protocol problem for officials who opted for a statesman's welcome minus the flags.

Mr. Castro is officially the guest of the UN Educational, Cultural and Scientific Organization, which he will address.

But he has been invited to lunch by President Mitterrand in a calculated diplomatic gesture.

Mr. Mitterrand, who ends 14 years in office in May, can use the visit to try to press Cuba

back into the mainstream. Havana, with its staggering economy, has been in need of new partners since the fall of communism and its relative abandonment by Moscow.

Mr. Mitterrand met with Mr. Castro 21 years ago while head of France's Socialist Party. The two talked for 10 hours, according to aides.

In January, Mr. Mitterrand castigated the U.S. embargo on Cuba as "stupid."

Mrs. Mitterrand echoed that sentiment.

"It is the greatest international injustice I have ever seen," she said Sunday in an interview on French radio.

The first lady, who reportedly pressed for Mr. Castro's visit here, has made numerous trips to Cuba as head of her humanitarian foundation France-Libertés.

She praised Mr. Castro's Cuba, saying it had attained "the summit of what socialism can do" for women and education.

She criticized the "indifference of Europe, which has refused to back a regime which gave equality to the people."

Not everyone agreed. The movement Democratic Cuba planned a demonstration on Monday outside UNesco during Mr. Castro's speech and a discussion at the National Assembly on Tuesday to formulate a demand for a "general amnesty, the immediate liberation of all political prisoners and abolition of the death penalty."

Mr. Castro is to meet with the assembly speaker, Philippe Seguin, during his visit to France and with leaders of French industry, traditional stops for visiting heads of state.

## Balladur Concedes Faulty Start, but Vows to Fight On

Compiled by Our Staff From Despatches

**PARIS** — Prime Minister Edouard Balladur, trailing his rival conservative opponent, Jacques Chirac, in latest presidential election polls, admitted Sunday that he had made a poor start to his campaign but vowed to fight on.

In a broadcast interview, Mr. Balladur said his program needed to be better explained.

"This is the first time I have been a candidate for president," he said. "It is the first time I have been prime minister. In a way, I am in training. But I am firmly determined to do better and to fight."

Mr. Balladur, on the defensive over the disclosure of stock profits and consultancy earnings from a computer firm he used to head, accused rivals of making irresponsible promises and using "nasty polemics."

Contrasting his career in business and public service with

Mr. Chirac's 30 years in politics, he said: "I have made no deals, I have not promised anybody anything. I am a free man. That is why people are trying to attack me."

President François Mitterrand broke his silence in an interview made public on Sunday, saying he supported Lionel Jospin, the Socialist candidate.

An IFOP Institute poll published in the Journal du Dimanche said Mr. Chirac, the mayor of Paris, would defeat Mr. Balladur in a second-round runoff by 64 percent to 36 percent, compared with 52 percent to 48 percent in the last poll, published a week ago.

If Mr. Jospin were to face Mr. Chirac in the second round after the first round of voting for all candidates April 23, Mr. Chirac would win, 59 percent to 41 percent, compared with 56 percent to 44 percent in the previous poll. (Reuters, AFP)

## Kazakh President To Rule by Decree

Reuters

**ALMA-ATA, Kazakhstan** — The president of Kazakhstan, the second-largest former Soviet republic, has dissolved Parliament and plans to rule by decree pending new elections.

Nursultan A. Nazarbayev took the action Saturday at the climax of a constitutional crisis sparked by a court ruling that elections in 1994 were illegal.

The court held that authorities had violated the principle of "one citizen, one vote" in counting ballots and had set up a voting system that favored the winning party.

The U.S. ambassador, William H. Courtney, said the court's decision and Mr. Nazarbayev's reaction would promote democracy in Kazakhstan.

"The court's decision and the respect for the decision which has been shown helps to strengthen the rule of law in Kazakhstan," Mr. Courtney said. "We look forward to free, fair and pluralistic parliamentary elections."

At a news conference announcing the dissolution, Mr. Nazarbayev dismissed suggestions that he wanted all-embracing powers to run the country.

"I have already heard this, but nothing of the sort has happened," he said. "The state has a constitution and laws and they will be fully observed."

He said he had "neither the desire or the character" to be a dictator.

The government resigned after Mr. Nazarbayev dissolved Parliament. He invited Prime Minister Akezhan Kazhegeldin to form a new government,

which will probably take place within a week.

A presidential spokesman, Dulat Kuanyshev, said Sunday that Mr. Nazarbayev's actions were dictated by the constitution.

"For the first time in the modern history of Kazakhstan, we were in the position of choosing between political pragmatism and constitutional imperative," he said. "This time the president opted for constitutional imperative."

The foreign minister, Kaysymzhan Tokayev, briefed ambassadors Sunday and noted "the entire absence of any sign of political crisis in the country."

Mr. Nazarbayev, a former Communist Party chief elected with 99.8 percent of the vote in December 1991, said he intended to confirm all laws passed by Parliament by decree.

No date has been set for a new election.

## BRIEFLY EUROPE

## Single EU Currency Gets Top Vote

**BONN** — The currency turmoil that led to devaluation of the Spanish and Portuguese currencies last week shows the need for a single European currency, according to the president of the European Commission, Jacques Santer.

Asked if the realignment in the exchange-rate mechanism had endangered plans for a single currency, Mr. Santer was quoted by the German weekly Der Spiegel as saying: "On the contrary, the turbulence showed how important it is that we should achieve a common currency soon. That's our only chance of protecting Europe from such upheavals." (Reuters)

## German Urges Claes to Step Down

**BONN** — The leader of the German soldiers' association has called for the immediate resignation of Willy Claes as NATO secretary-general, saying questions about a Belgian bribery scandal were damaging the North Atlantic alliance's image.

Mr. Claes "hasn't given a plausible explanation" for his role in the 1988 scandal, Bernard Gertz, president of the 265,000-strong association of German professional soldiers, was quoted as saying by the Neue Osnabrücker Zeitung.

Mr. Claes, the Belgian economy minister in 1988, is accused of having known that the Italian firm Augusta paid \$1.5 million in bribes to members of Mr. Claes's Socialist Party to secure a helicopter sale to the Belgian Army. (AP)

## Turkey to Teach Human Rights

**ANKARA** — Turkey, under Western pressure to improve its human rights record, will start teaching human rights in primary and secondary schools, the government says. Prime Minister Tansu Ciller said the move was part of a new policy to "provide more rights."

Under the program, students will get acquainted with human rights issues at elementary school level, and the course will continue as a separate class under the name of "Democracy and Human Rights" at later stages.

Hundreds of Turkish intellectuals and journalists are in jail because of laws limiting freedom of expression. Critics also accuse Turkey of abuses stemming mostly from the fight against Kurdish guerrillas seeking autonomy in the southeast. (AP)

## Calendar

## European Union events scheduled for Monday:

**BRUSSELS:** Transportation ministers meet to discuss shipping, the open-skies agreements reached by several EU member states with the United States.

**STRAZBOURG:** The European Parliament convenes.

**TOULOUSE, France:** Informal meeting of agriculture ministers to discuss the transportation of animals and other issues.

**BRUSSELS:** Official visit of President Ernesto Samper of Colombia to the European Commission.

**BRUSSELS:** Karel van Miert, the EU competition commissioner, meets officials of the European Automobile Manufacturers Association and the European Committee for Motor Trades and Repairs.

**BRUSSELS:** Sir Leon Brittan, EU external trade commissioner, addresses the general assembly of the Belgium-Japan Association.

**MONTPELLIER, France:** The regional committee presents its ideas on institutional reform in 1996 to the French European affairs minister, Alain Lamassouze.

Sources: Agence Europe, AFP.

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## POVERTY: U.S. to Rechannel Aid

Continued from Page 1

Gustave Speth, administrator of the development agency, Over 1 billion of the world's 5.7 billion people are living in absolute poverty, according to the United Nations.

Mr. Gore spoke on the same day that President Nelson Mandela of South Africa made a plea to world leaders that the African continent should not be allowed to be "marginalized" further by withholding advanced technology and denying Africans the right to a voice in a choice of assistance.

"It is to perpetuate difficulties of the South for the North to relate to us as consumers of arms and finished goods, as passive recipients of project assistance without transfer of skills and technology, as hapless victims to dictate to regarding loans and employment of aid," Mr. Mandela said.

President Fidel Castro of Cuba also spoke Sunday, and his was an address full of bitterness about a world living under "the blind and cruel laws of the market." He spoke of a "criminal blockade" to which Cubans are subjected "only because it does not share the ideas of its powerful neighbor to the North."

In the United States, the Agency for International Development, which directs about \$9 billion in nonmilitary aid programs, already has moved toward greater cooperation with private organizations. Two years ago, 17 percent of aid was delivered through private groups. The Clinton administration has raised that to nearly 30 percent in two years, according to USAID officials in Washington. Mr. Gore raised the target Sunday.

Under this initiative, the United States Agency for International Development will be channeling 40 percent of its development assistance through nongovernmental organizations, both U.S.-based and indigenous," he said. In addition to fostering local government, the money also would go to aiding economic growth at the grass-roots level, he said.

"The New Partnership Initiative has three main objectives: to empower small businesses and entrepreneurs to drive economic growth, to strengthen the role of nongovernmental organizations in development programs and to help nations bolster democracy at the local level," he said.

"Families and individuals, when given the power and opportunity to change their lives, do exactly that," he added.

## G-7: Meeting Is Unlikely to Restore Order to Markets

Continued from Page 1

process create havoc on exchange markets.

What they disagree about is whether controls can be reimposed to restrict destabilizing movements. Mr. Wyplosz is an advocate of restraining capital flows, particularly in preparation for a monetary union in Continental Europe, via a tax on foreign exchange transactions or variable reserve requirements on open foreign exchange positions that could be modulated to reflect market conditions.

But Mr. Buiter dismissed these proposals as ineffective. "Currencies can be attacked in a large variety of ways — in the spot, forward, futures or options markets — many of which would not be targeted effectively by any conventional or imaginable controls or taxes," he said. "The genie is out of the bottle."

There is no way restrictions on capital flows could be reimposed, he said, adding that "I don't think we have the administrative wherewithal and the criminal-justice will to enforce controls."

"The potential gains in evading controls are such that you would need humongous enforcement penalties to keep the system effective," he said.

"If we were willing to establish an international capital flight police force and if we were willing to put a few speculators against a wall and shoot them after a fair trial, we might be able to control capital mobility," he added. "If we don't have the stomach for that — and we don't — controls can't work, at least not in the industrialized countries."

"It's a different story for other countries where the scale and sophistication of the financial sector is less developed," he said.

Mr. Wyplosz agreed that outright controls were impossible, but he argued that some restrictions were absolutely necessary if the so-called core European Union countries — Germany, France, Austria, Luxembourg, the Netherlands, Belgium and possibly Denmark — were to stand any chance of adopting a single currency before the end of the decade.

The controls should be "as temporary as possible and as late as possible" in the two-year countdown to monetary union, but he said he thought some respite from attack would be needed to achieve the goal of creating a common currency.

Mr. Wyplosz said that "the government resigned after Mr. Nazarbayev dissolved Parliament. He invited Prime Minister Akezhan Kazhegeldin to form a new government,

which will probably take place within a week.

A presidential spokesman, Dulat Kuanyshev, said Sunday that Mr. Nazarbayev's actions were dictated by the constitution.

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## Oil Slick Forms on Danube

Agence France-Press

**PASSAU, Germany** — Diesel fuel leaking from a barge that sank on the Danube River has formed an oil slick over a 20-kilometer stretch of water, the authorities said Sunday.

MARCH 17, 1995



## INTERNATIONAL

## Undermined by Scandal, Israel's Labor Party Shows Signs of Falling Apart

By Clyde Haberman  
New York Times Service

JERUSALEM — If the advisers around Prime Minister Yitzhak Rabin had to list their toughest assignment last week, their first choice would not have been making peace with the Arabs.

They have been finding it far more difficult to make peace within their boss's own Labor Party, which has all the earmarks of a political organization falling apart at the seams.

If Labor comes so unglued that it succumbs to the rightist Likud party in national elections scheduled for next year, it is a safe bet that Israel's negotiations with the Arabs will not be the same.

Mr. Rabin's main headache is a scandal over the illegal siphoning of millions of dollars from Histadrut, the giant trade union federation, to finance the political campaigns of senior Labor figures. Press reports in Israel say police detectives are focusing on at least one cabinet member and other top government and party officials with long Histadrut connections.

While the prime minister himself has not been publicly implicated and promises an unfettered investigation, he can feel the political ground sinking beneath him anyway. He has hardly forgotten that a financial scandal over foreign bank accounts opened by his wife in violation of Israeli law at the time —

helped topple his first government, in 1977.

Nahum Barnea, a leading newspaper commentator, described the Histadrut affair as "a cluster bomb" that could politically wreck Mr. Rabin as well as the officials facing possible indictment.

Opinion polls at the end of the week showed the aging prime minister seriously trailing the young Likud leader, Benjamin Netanyahu. Many commentators believe that Mr. Netanyahu has prospered less from positive feelings toward him than from public displeasure with Mr. Rabin and the Labor Party.

In 1996, Israelis will elect their prime minister directly for the first time. Mr. Netanyahu already has

put them on notice that if he wins, he will not feel obligated to honor peace arrangements Mr. Rabin has reached with Yasser Arafat, the Palestinian leader.

Even before the scandal, Labor was running into trouble.

Muslim suicide bombers had vitiated earlier political gains from agreements with Jordan and the Palestinians. Israelis seemed more worried about rising inflation and tumbling stock prices than reassured by last year's impressive economic growth of 6.8 percent.

More and more, internal Labor politics resembles the roller derby, with young Turks battering their elders, hawks pummeling doves and personal ambitions outstripping

party unity. At one point, so many cabinet members were expressing different opinions on vital topics that Mr. Rabin lamented his inability to stop them from saying "stupid things."

Some political scientists blame Israel's new flirtation with U.S.-style primaries as a reason for the infighting.

Traditionally, the parties' lists of parliamentary candidates were cooked up in back rooms. Now the voters get to choose in party primaries.

This may be a democratic plus. But some Israeli political specialists contend that with primaries still in an experimental stage here, politicians have yet to figure out how to

outshoot each other for precious television time without undermining party discipline.

Primaries also force the politicians to raise money on their own instead of relying on party treasuries.

That happened in Labor's first primaries, in 1992, and the charge now is that some party members unlawfully diverted Histadrut funds to their own campaigns.

The union federation, which runs the country's largest pension and health care systems, was Labor's main power base until a party maverick, Haim Ramon, was elected general secretary last year.

To many Israelis, Labor and Histadrut are umbilically linked, and if

one is corrupt then the other must be, too.

Mr. Rabin, a former general, advised party members this past week that elections were too far off for panic.

Sometimes, one has to put on a helmet and bulletproof vest, and move forward," he said.

Still, many Israelis were disgusted. Shmuel Schnitzer, a columnist for the newspaper *Ma'ariv*, had his own military metaphor.

"Perhaps," he wrote, "we should be equipped with gas masks, if not to protect against possible chemical attacks, then at least against the stench rising from the political garbage dump in which we live."

## Christopher Sees New Hope in Syria Peace Talks

Compiled by Our Staff From Dispatches

JIDDA — On the eve of talks in Damascus, Secretary of State Warren M. Christopher spoke Sunday of new hope for a breakthrough in the deadlocked Israeli-Syrian track of the peace process.

"I feel we have a new opportunity on that track," Mr. Christopher said here.

He said recent statements by Prime Minister Yitzhak Rabin of Israel, with whom he had talks Thursday, were "an indication that he felt that it was feasible for him to move ahead on that track."

Mr. Christopher described his Middle East tour as "timely and appropriate."

He is due to hold talks Mon-

day with President Hafez Assad of Syria.

The Israeli-Syrian talks have been suspended since February 1994, deadlocked over the scope and timing of an Israeli withdrawal on the Golan Heights, seized in the 1967 Middle East war.

Mr. Rabin has refused a total withdrawal from the heights, offering instead a small-scale pullout from the strategic plateau over 30 to 36 months to test Syria's desire for peace.

Gulf foreign ministers, meanwhile, urged the UN Security Council to continue supporting American efforts to keep sanctions on Iraq.

A joint statement issued after

a meeting with Mr. Christopher advised the Security Council "to resist any amendments to the sanctions regime until Iraq fully complies with all its obligations."

Most members of the six-state Gulf Cooperation Council, particularly Saudi Arabia and Kuwait, who feel most threatened by the Iraqi leader, Saddam Hussein, agree with Washington that the oil and trade embargo must remain until Baghdad complies fully with all UN conditions.

Their share of the world oil market could shrink considerably if Iraqi petroleum started flowing again.

But a rift deepened as Oman and Qatar sent ambassadors in

stead of foreign ministers, a clear message to the U.S. secretary, after having hosted Iraq's foreign minister, Mohammed Said Sahhaf, last week.

The two nations support Baghdad's claim that it has complied with the conditions for a lifting of sanctions, including dismantling its weapons of mass destruction and recognizing Kuwait's sovereignty.

The joint statement on Sunday referred in particular to the UN demand that Iraq release all prisoners of war. The statement said 600 remained in Iraq or were unaccounted for. Iraq says it has no more prisoners.

The statement urged Iraq to accept a one-time sale of \$1.6 billion worth of oil to finance

humanitarian purchases and UN costs in the country.

Turning to Iran, the statement stressed a mutual commitment to security in the Gulf, "including freedom of navigation in its international maritime channels."

Washington has voiced concern about Iran's reported deployment of anti-aircraft missiles to the Strait of Hormuz, where Tehran is in a dispute with the United Arab Emirates over three strategic islands.

Mr. Christopher arrived from Israel, met with Prince Saud al Faisal, the foreign minister, and the foreign ministers of Kuwait, the United Arab Emirates and Bahrain.

(AFP, AP)

## CIA: Clinton's Choice Will Have a Role in Setting Policy

Continued from Page 1

and then after an FBI check someone comes out of the wall with some pretty nasty allegations and the general basically decides he doesn't want to go through hell, having to face those allegations.

"That's unfortunate, but it's part of the time we live in."

General Carns said in interviews that in bringing a young Filipino man to the United States, he had apparently broken immigration and labor laws. Mr. Carns said the man, Elbino Runas, had also made "groundless, outrageous, tabloid charges" about members of the Carns family.

General Carns joins a parade of people to be named to senior positions by Mr. Clinton, only to withdraw or be forced out after controversy arose.

Zoe Baird, Mr. Clinton's first choice to be attorney general, was forced out after disclosures that she had not paid taxes for domestic help. Similar questions helped scuttle his second choice for the job, Kimba Wood.

After naming Lani Guinier to be the Justice Department's top civil-rights official, Mr. Clinton pushed her aside after he read some of her articles and decided he did not agree with them.

Admiral Bobby Ray Inman, retired, withdrew his own nomination to be defense secretary early last year, issuing an angry denunciation of the press and the politicization of the confirmation process.

With General Carns now added to this roster of misfortune, Washington was left debating whether the capital's poisonous political environment or administration bumbling was to blame.

Senator Arlen Specter, Republican of Pennsylvania, the chairman of the Senate Select Committee on Intelligence, argued the latter.

He said questions about whether General Carns had followed immigration law in bringing Mr. Runas to the United States came to the attention of the Senate intelligence committee "some time ago and were immediately re-

ferred to the FBI for investigation."

"It is a little hard to understand why the White House did not know or pursue these issues long ago," Mr. Specter said in a statement. "All factors considered, we have another serious undermining of U.S. competency and credibility for the whole world to see."

The White House press secretary, Michael McCurry, suggested public officials were subjected to unfairly intense scrutiny.

"It's probably a good thing for our republic that we didn't have background checks like this in place in the time of Thomas Jefferson," Mr. McCurry said.

Some prominent Republicans endorsed that view and said both parties were to blame.

"It's become almost standard and accepted behavior to fight our partisan differences" by throwing "adjectives and accusations" at nominees, said Margaret Tutwiler, who served in high-ranking positions in the Reagan and Bush administrations.

## BABY: A Cancer Patient's Choice

Continued from Page 1

physicians and clearly understood the options."

Phillip Goldstein, chief of obstetrics/gynecology at Washington Hospital Center, said Dr. Geraci's death has been a trial.

"It's not fair to have a young person die," Dr. Goldstein said, his voice cracking. "I rage about the death of such a valuable human being."

But he expected nothing else from Dr. Geraci. "It wasn't because she was pro-life," he said. "It was because it was the right thing for her to do."

During most of her pregnancy, Dr. Geraci took taxi, which doctors thought would not harm Dylan. She had to stop taking the drug during the seventh month of pregnancy, and Dylan was born one month prematurely by a Caesarean section, during which doctors discovered cancer in the liver. She resumed treatment, but it was too late.

Dr. Geraci was born in Italy and grew up in poverty in Wethersfield, Connecticut, said Diane Kupelian, a longtime

friend and psychologist who is Dylan's godmother. She was spiritual but not religious, Ms. Kupelian said, and only recently began attending services at a Unitarian church.

"Even if she had ended the pregnancy, there was no guarantee she could treat the cancer," Ms. Kupelian said. "It was a goal of her life to have a child. She really saw this as her one chance. She was a risk-taker. She was hoping to be able to beat the cancer, too. We all roll the dice in our own way."

Dr. Winn now has a son to raise, and he said he tries not to think of what might have been.

"In retrospect, who knows what would have happened?" he said. "She wanted to continue with the pregnancy. I wasn't sure if that was the right thing to do, but I supported her decision. We knew what would happen, but there was a lot of denial and hope combined."

"I'll just tell Dylan what she was like—how much she loved him, how much she wanted to be with him but couldn't, how much she loved music and art and literature and exploring the world. I'll encourage him to do those things too."

## Centrist Party Snubs Berlusconi

Reuters

ROME — Italy's centrist Popular Party has rejected the decision of its leader, Rocco Buttiglione, to join Silvio Berlusconi's Freedom Alliance for regional elections next month.

At a special meeting on Saturday, the national council of the Popular Party, successor to the Christian Democrats, voted against the move, 102 to 99, with 1 abstention.

The result was a victory for the party's left wing, which wants to back Romano Prodi, an economist, for prime minister in a general election expected in June or October. Mr. Prodi is the candidate of the center-left Democratic Party of the Left already has given its support to him.

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READY TO TURN RED SQUARE GREEN — An Irishman handing out free candy Sunday in Moscow as the wearers of the Green celebrate an early St. Patrick's Day.

## MEXICO: Anger on Economic Plan

Continued from Page 1

lems are its own openness and an unwillingness to rely on the authoritarian practices of the past. Leading up to the new emergency measures, the government was unable to sign a sweeping social pact with business and labor, as it had done over the last seven years.

Unions and big business refused to put their signatures on an economic emergency plan that included painful tax and price increases, leaving President Ernesto Zedillo and his economic cabinet little choice but to proceed without them. Mr. Zedillo has tried to compensate for that lack of consensus by taking his message directly to the Congress and the Mexican people.

"We know our problems have to be faced with strict realism and without fantasies or false hopes," Mr. Zedillo said Friday in a speech before one of Mexico's most powerful business groups, Coparmex. "We also know that we have to overcome this crisis in order to have a firm outlook of hope, growth and personal well-being."

The departing president of the business group, Antonio Sánchez Díaz de Rivera, said the organization opposed the plan because it included tax increases at a time when business was already suffering.

On Wall Street, however, the reaction to Mr. Zedillo's plan was enthusiastic. Big gains were posted in the stock market on Friday, and the peso soared 18 percent in value.

When he went on national television Thursday night to read the details of the economic plan, Finance Minister Guil-

lermo Ortiz acknowledged that neither the government's original emergency measures in January nor the availability of more than \$50 million of financial assistance from the United States and other nations had been sufficient to keep Mexico's economic emergency from deepening.

The new plan goes much farther and deeper than previous attempts to realign Mexico's finances, cut spending, increase savings and restore a level of investor confidence, and it addresses most of the main concerns of international investors.

There is help for Mexico's ailing banks, a loan restructuring plan for businesses and 10 percent cuts in government spending. Those cuts are expected, along with increased revenues from taxes and higher prices for gas and electricity produced by the state, to help lead to a federal budget surplus.

"It is very tough," Mr. Ortiz said in an interview. "Very tough."

Salaries will not rise nearly as quickly as prices, and officials say that will mean a further 32 percent decrease in purchasing power and much more personal hardship for most of the 92 million Mexicans.

Inflation of 42 percent could soar even higher if union wage demands are pressed and businesses continue to raise prices as they have since the peso was devalued on Dec. 20.

"The social consequences of the plan were, in one sense, really the only thing on our minds," Mr. Ortiz said. "But we knew that things would only get worse if we don't act."

## Mexican Paper Reports Salinas Gone for Good

Reuters

MEXICO CITY — Former President Carlos Salinas de Gortari, under intense pressure with the arrest of his brother on murder charges and claims that his government was to blame for a deep economic crisis, has left Mexico for good, a newspaper reported Sunday.

La Jornada said Mr. Salinas and his family had left for the United States on a private flight Saturday afternoon and would not be returning.

A government spokesman and a man who answered the telephone at Mr. Salinas's office in Mexico City said they could not confirm or deny the report.

La Jornada said Mr. Salinas, his wife and their three children had flown to New York and would likely move on to Boston to begin a new life.

According to La Jornada, a source said Mr. Salinas had left the country after an envoy from President Ernesto Zedillo arrived at his home with a message and the plane tickets. It said that Mr. Salinas had apparently telephoned the presidential palace on Friday but that Mr. Zedillo had not taken his call.

## BOOKS

## THE X FACTOR:

A Quest for Excellence

By George Plimpton. 170 pages. \$18.95. W.W. Norton &amp; Co.

Reviewed by Christopher Lehmann-Haupt

ONE's heart sinks a little upon reading George Plimpton's explanation of how his latest book, "The X Factor: A Quest for Excellence," came into being. He writes that a publisher asked him to do a short work on a "subject of importance to managers and policy makers in business and the public sector."

Plimpton mused, then decided "to write an informal study of the ingredient that appears to be a constant for those who are enormously successful," or what he calls the X factor.

Oh, no, one groans. Not an-

## WHAT THEY'RE READING

• Yoram David, the conductor, is reading "Chuck," a biography of the composer by Alfred Einstein, as part of research for conducting "Orfeo ed Euridice."

"Although written over 40 years ago, it's fresh and exciting, and the author keeps a balance between admiration for his subject and objective criticism." (John Brunton, *IHT*)

other useless little book about achieving excellence in two minutes by thinking positively. But you get a better idea of what Plimpton is up to here when he sets as his standard of excellence nothing less than a horseshoe-pitching match he had with the newly elected Pres-



ident George Bush. In fact Plimpton even arrives at the brink of victory over the president, the score 14 to 13 in the author's favor, with 15 needed to win.

Then he begins to worry about winning. "What would it do to the president-elect's confidence to lose to someone who hadn't thrown a horseshoe in 30 years? Would he brood? Would he have trouble with his inauguration speech? Suddenly slam the heel of his hand against his forehead at cabinet meetings? Stumble into the bushes at the Rose Garden? Talk out loud to himself at state dinners? Snap at Sununu?"

But his opponent summons his own X factor and tosses a ringer, winning the game. And the author goes home a beaten man, wondering if for a return match he can learn how to put some winning attitude hidden deep within himself.

What follows is by turns funny, charming and ridiculous. Plimpton begins by recalling how in 1984 in his mid-50s he had himself tested at the Olympic training center in Colorado Springs to see if he possessed some athletic skill he had never been aware of. It turned out he was good at exhaling sharply and kicking backward, skills that might best be practiced in a bull ring — by a bull. So Plimpton understood well the unpromising raw material he would be working with.

He then sets about to talk with outstanding athletes, successful coaches and a handful of chief executive officers. He hears a lot about singleness of

purpose, teamwork, unselfishness, mental toughness, morality, the refusal to quit and controlled anger. In short, the practical side of this book is unsurprising.

Exploring the X factor of nations, he learns of a South Korean businessman who studied the economic recovery and development of countries broken by war and concluded that to develop, a country needs either chopsticks or calligraphy, preferably both, and to play baseball. "Look at China," the businessman says. "They use chopsticks, but they don't play baseball. Look at Cuba. They play baseball, but they don't use chopsticks."

Studying to rid himself of the loser's mentality, the author hears of Gardner Williams, an American swimmer at an Olympics held in Greece who "was poised to leap into the Bay of Zea in the Aegean for a middle-distance race — this, of course, before the days of Olympic pools, chlorine and marked lanes." Plimpton continues: "The starting gun went off. Gardner Williams jumped in, yelled as he hit the water, and immediately clambered out, complaining that it was too cold."

At last the great horseshoe rematch arrives. The author is invited for a weekend at Camp David. He takes along his 13-year-old son, Taylor, who is deeply impressed when the president lobs a tennis ball across the room for Millie, the Bushes' English springer spaniel, to fetch, and the ball hits Mrs. Bush, who is on the telephone, on the side of the head. Mrs. Bush hardly takes notice. "George," she says into the phone, "just hit me on the side of the head with a tennis ball."

"Serious business," says the president.

It would not be fair to reveal the outcome of this climactic event. Suffice to say that where Plimpton draws upon his X factor is in his prose style, in his unflinching ability to find the perfectly funny word or phrase.

Christopher Lehmann-Haupt is on the staff of *The New York Times*.

## BRIDGE

By Alan Truscott

IF South is playing in no-trump, in the diagrammed deal, one would expect him to make seven tricks: four spades, a heart, a diamond, and presumably a club. But David Berkowitz found himself in three no-trump after opening with one club, strong and artificial. When his partner doubled the one-spade overall, showing 5 to 8 high-card points, he rebid one no-trump, showing a balanced hand with at least 17 high-card points.

Larry Cohen raised aggressively to three no-trump. West led a spade, giving nothing away, and South faced an uphill task. He won in dummy with the six, and led the club ten. This ran to West's ace when East wrongly refused to cover.

West led another spade, and dummy won with the ten. A heart finesse lost to the king, and West should have played a third spade. When he led the heart jack, he gave South an opening. That player took the heart ace and cashed the club king to remove West's exit card. He then took two spade tricks,

ending in the dummy, and led the heart nine.

West won and cashed his last spade. But he had to lead from the diamond king, so South made the last three tricks with the diamond queen, the diamond ace and the winning heart eight. Making three no-trump was worth nearly all the match points, and Cohen felt that his pushy raise had been vindicated.

NORTH (D)  
♠ K 10 7 6  
♥ 9 8 6 3  
♦ A 6  
♣ 10 9 8

WEST  
♠ J 9 8 5 4  
♥ K J 10  
♦ K 9 2  
♣ A 5

EAST  
♠ 7 5 4 2  
♥ J 10 4 3  
♦ Q J 7 4 3  
♣ A Q 3 2

SOUTH  
♠ A Q 3 2  
♥ A Q  
♦ Q 8 7 5  
♣ K 6 2

East and West were vulnerable. The bidding: North East South West  
Pass Pass 1 ♠ 1 ♠  
Dbl. Pass 1 N.T. Pass  
3 N.T. Pass Pass Pass

West led the spade five.

## CROSSWORD

ACROSS  
1 Writer Tom or Thomas  
8 Help in crime  
10 One — (form of baseball)  
14 Of the lower intestine  
15 Ready for picking  
16 Canceled, as a launch  
17 Neato  
19 One more time  
20 Glimpses  
21 — do well

23 Referee's count  
24 Household power: Abbv.  
26 Phoebe's neighbor  
27 — bean  
28 Cuticle shaper  
29 Patriot Allen  
30 "Crazy" bird  
31 Hydroxyl compound  
32 Eats + zowl  
34 Court center, usually  
41 Court center, usually  
42 Hawaii's state bird  
43 Loses all power

44 Did better than a B  
45 Welsh dog  
46 Curry



## INTERNATIONAL

## U.S. Efforts to Support Mexico Tainted by Corruption Charges

By Pierre Thomas  
and Daniel Williams  
Washington Post Service

WASHINGTON — During the last two years, while the Clinton administration was setting the American public on a partnership with a forward-looking Mexico, U.S. officials were receiving regular allegations of corruption against senior Mexican officials and their associates, including accusations of links to narcotics dealers, U.S. officials said.

In one case, that of now-jailed former deputy attorney general, Mario Ruiz Massieu, the claims were strong enough that U.S. officials warned the Mexican government about their suspicions, but Mexico did nothing to curb him, the officials said.

Mr. Ruiz Massieu, arrested recently in New Jersey, is now wanted by Mexico in connection with a suspected cover-up of his brother's murder. The U.S. authorities are considering an extradition request, while the Mexican government is circulating charges that Mr. Ruiz Massieu was linked to a major drug cartel and stashed away millions of dollars in U.S. bank accounts.

In another instance, U.S. officials last year received a tip that a relative of a presidential

candidate, Luis Donaldo Colosio, was suspected of using an airstrip as a transit point for drugs. Although there was little to suggest Mr. Colosio was involved, U.S. officials decided they had to consider the matter given his anticipated ascension to the presidency. Mr. Colosio was later assassinated.

The revelations illustrate a long-standing U.S. dilemma regarding Mexico. Washington has been concerned about corruption at top levels of the Mexican government at the same time that it has actively portrayed the country as a critical and valued ally, particularly in trade and migration control.

The resulting contradictions have become acutely apparent recently as a stain of allegations of corruption and mismanagement has spread over the administration of former President Carlos Salinas de Gortari. He was a favorite of the Bush and Clinton administrations throughout his 1988-1994 term, and was until no more than two weeks ago Washington's leading candidate for the presidency of the World Trade Organization.

Needing to rely on the Salinas government during his term, but wary of corruption, U.S. officials embarked on a policy of "selective engagement," in which they dealt with members of the Mexico admin-

istration believed to be trustworthy.

"We have been selective with whom we dealt," said a senior federal law enforcement source. "You had no way of knowing where the corruption might be."

U.S. officials say accusations against Mexican officials, which often lead nowhere, are handled discreetly, partly not to spook the suspects and partly not to offend Mexico. Despite the frustrations, the officials say, a break in cooperation including sharing information and locating drug crops would merely open the way to heavier traffic through Mexico. Recently, a similar rationale was used to justify continued cooperation with Colombia.

Traditionally, Washington has put a higher premium on stability in Mexico than on change, as even egregious electoral fraud in the past drew barely a whisper of criticism. U.S. officials also say they are reluctant to publicly chastise Mexico on such issues as drugs and human rights because harsh words might invite a backlash from the highly nationalistic Mexican public.

## Q & A: A Bhutto Plea for Aid Against Extremism

Prime Minister Benazir Bhutto of Pakistan's expressed outrage at the killing last week of two Americans and the wounding of another who worked at the U.S. Consulate in Karachi. On a visit to Singapore to seek investment, Miss Bhutto spoke with Michael Richardson of the International Herald Tribune.

Q. Islam seems to be turning increasingly violent in Pakistan. Why?  
A. Islam is not a violent religion. It is a message of brotherhood, peace, tolerance and harmony. However, Pakistan has had a violent past. We had a dictatorship from 1977 under General Zia ul-Haq. During those years, different groups were patronized to quell and subjugate the rest of the people and keep them in fear.

Internally, the dictatorship tried to clothe itself with the legitimacy of Islam, portraying the religion with its own narrow vision rather than what it really is. This led to much fanaticism. A lot of laws were passed which now need constitutional change. They include laws discriminating against women and minorities.

The sad part is that the West never spoke up against these laws at the time.

Q. Why?

A. This was the period when the

Soviets went into Afghanistan. As a result, Pakistan became the frontline state in the battle against communism.

From 1979, Muslims from all over the world came to Pakistan to help the Afghan resistance. They began schools which gave militant training to students to go and fight in Afghanistan.

When the Soviet occupation ended, two million Afghan refugees were left behind in Pakistan along with a series of well-organized, well-financed schools which are called religious but are not imparting religious training. Instead, they promote sectarianism and terrorism by teaching hatred or giving military training. This entire subterranean culture with its secret cells existed in Pakistan until my government was elected in October 1993.

Q. What are you doing to combat this extremism?

A. We have started regulating the schools. We are not going to allow people to preach hatred and violence. We are exposing this culture and creating public awareness about it.

We signed an extradition treaty with Egypt in 1994 so that extremists wanted there could be sent back. With the expeditious extradition to the U.S. of Ramzi, we have sent out a clear message that Pakistan will not allow

its soil to be used for subversive action against any other country. [Ramzi Ahmed Yousef is the suspected mastermind of the 1993 World Trade Center bombing in New York.]

Q. Are you now getting the kind of support from the West you need?

A. We are not getting the type of

**'We have started regulating the schools. We are not going to allow people to preach hatred and violence.'**

political and moral support we really ought to be getting in our fight to control sectarianism, militancy and the narcotics trade.

Pakistan today is the frontline state against the forces of extremism and fanaticism. It is a wall of modernity against all those values that undermine global stability. Pakistan has a constitution and a democratic government. It ought to be strengthened and supported.

Q. You will be visiting the U.S. next month. What kind of American assistance does Pakistan need?

A. The type of moral assistance and political support that a country like Egypt gets.

The main support we want from the U.S. is for the Pressler amendment to go. It cut off all military and economic aid to Pakistan because the president said he could not certify that Pakistan did not possess a nuclear explosive device. Pakistanis feel this is a discriminatory law because it does not apply to all countries of the world.

Pakistan has paid the U.S. about \$1.2 billion for F-16 jet fighters and other equipment. We are getting neither delivery nor our money back.

Pakistanis can't understand why America is doing this. These are the very things that fuel fanaticism.

Q. What will you tell Washington about the status of Pakistan's nuclear program? Does Pakistan possess a nuclear explosive device?

A. Pakistan does not possess a nuclear device. Pakistan has developed certain technology; it has enough knowledge to put together a nuclear device, but has deliberately chosen not to do so to support the objectives of regional and global nonproliferation. Even the U.S. now admits that we have not put together a device.

America is a fair country. Yet, it continues to penalize Pakistan unfairly. It must re-evaluate its policy.

## U.S. Finds Secrets In Vacant UN Office Incident in Somalia Creates Stir

By R. Jeffrey Smith and  
Julia Preston  
Washington Post Service

WASHINGTON — Several boxes containing classified U.S. intelligence documents were discovered by American officials in a vacant United Nations office in Somalia, days before the pullout of United Nations peacekeepers early this month, prompting some American officials to question whether the international organization had mishandled sensitive U.S. secrets.

President Bill Clinton has ordered the Joint Chiefs of Staff to investigate what some officials are depicting as a worrisome breach of security. The incident has attracted the attention of Republican legislators skeptical of U.S. cooperation with the United Nations.

No evidence has been found so far that the U.S. documents fell into the hands of the Somali warlords who worked to frustrate the two-year, \$2 billion UN peacekeeping effort, according to American officials in Washington and New York. The United Nations denied that it committed any error.

But the U.S. military's Central Command, which ran the ill-fated operation with the United Nations in Somalia, is investigating why the boxes of documents were left unsealed in the vacant United Nations office and whether U.S. intelligence sources and methods — including spy technologies — might have been compromised.

Included in the boxes were "source reports" recounting sensitive interviews with Somali informants; daily intelligence reports on the Somali political situation; classified data designated "UN-releaseable," some computer diskettes, and documents stamped "Secret. Win-tell" that involved highly sensitive U.S. sources and spying methods, according to an American official.

American officials familiar with the investigation said not only that UN officials should not have left the documents behind — as some officials say apparently happened — but also that some of the documents probably never should have been turned over to the United Nations.

They said the investigation is also to look at why many documents marked "NOFORN" — or No Foreigners — were in the hands of UN intelligence officials commanded by a Nigerian colonel.

The issue is delicate for the Clinton administration because of a widespread belief among Republican legislators that UN officials are insufficiently adept and trustworthy to command or work closely with U.S. military forces in peacekeeping operations like that in Somalia.

Since word of the incident began to circulate among congressional Republicans, the administration has been eager to avoid letting the incident cast aspersions on future collaboration with the United Nations.

"We take this situation very seriously," said the Defense Department spokesman, Kenneth Bacon. "We informed Congress as soon as we learned about it. We are conducting a thorough investigation in an effort to learn all the facts."

When that investigation is complete, he said, "we will report the findings to Congress."

James P. Rubin, the U.S. spokesman at the United Nations in New York said, "We do not believe there was any compromise of intelligence material or sensitive sources."

But a senior defense official in Washington cautioned that "this is by no means a closed issue."

Senior UN officials say they are conducting their own inquiry, although a preliminary UN report found that there had been no mishandling of the documents. They were scheduled for removal on Feb. 28, the day after they were discovered by an American official, and were not at risk of theft, the UN determined in the report, which was given to Madeleine Albright, the chief U.S. delegate to the United Nations.

"We take this matter seriously," said Kofi Annan, the UN undersecretary for peacekeeping operations. "Intelligence matters have to be handled professionally."

The incident cast a spotlight on U.S. intelligence-sharing with the United Nations, which has no spy operation of its own and is dependent on information supplied by member nations.

No security breaches resulted from earlier exchanges, American officials said, adding that the administration believes that cutting off some kinds of intelligence to the United Nations would be a mistake.

American officials said, however, that in Somalia, UN officials repeatedly failed to safeguard adequately the classified information U.S. military officers had shared with them.

## 2 Are Arrested in Murder Of Burundi Energy Chief

Agence France-Press

BUJUMBURA, Burundi — The police said Sunday that they had arrested two suspects in the killing over the weekend of Energy Minister Ernest Kabushemeye, a member of the Hutu majority whose murder increased fears of a new ethnic bloodbath.

The unclaimed attack on Mr. Kabushemeye, who was shot and killed Saturday as he drove through the center of the capi-

tal, Bujumbura, also wounded one of his bodyguards and at least one passerby.

The police gave no further details of the arrests and said it remained unclear whether a lone gunman or several assailants had carried out the attack.

Shooting and explosions were heard late Saturday in the working-class districts of Nyakabiga, Bwiza and Jabe, national radio reported.

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THE WELSH ADVANTAGE.



# Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

## Oil Dealings With Iran

American oil companies are pursuing their own foreign policy, in defiance of U.S. interests. Washington is trying to discourage any U.S. trade with Iran, and U.S. law bars the import of Iranian products, but the largest purchasers of Iranian oil are American oil companies. They get around the letter of the law by selling the oil abroad and using foreign subsidiaries to handle the business. The latest and most blatant case is a Conoco deal to develop a large Iranian field in the Gulf, a contract that could be worth \$1 billion. Conoco, owned by Du Pont, will handle the deal through a Dutch subsidiary.

By choosing Conoco over French and other competitors, Iran is signaling that it wants to do business with the United States, but these deals are wrong. They provide revenue for a regime that is trying to build nuclear weapons, serves as a base for terrorism and opposes U.S. interests at every opportunity. In addition, the oil deals undermine U.S. policy by giving foreign governments and companies an easy excuse to trade with Iran despite Washington's warnings to refrain.

It is impossible to shut down all international commerce with Iran. There are too many foreign governments and businesses willing to ignore Iran's behavior. It is also difficult to write a law that would prevent every American enterprise from conducting business with Iran, although Senator Alfonse D'Amato is trying.

The problem is that U.S. law does not easily reach beyond America's borders. Foreign-based subsidiaries of American companies can take the U.S. government to court overseas if it tries to stop them.

## Slowly in Guatemala

The last hurrah of Central America's political wars of the 1980s is being played out in Washington's Lafayette Square. An American activist named Jennifer Harbury is beginning a hunger strike to urge Bill Clinton to squelch Guatemala's Velásquez, a guerrilla commander captured in a firefight with the Guatemalan army in 1992. One set of questions is whether he is alive and, if not, how he died. A second set goes to American policy in this case.

Few dispute that the Guatemalan army, the region's last feudal military force, is capable of the cruelties and deceptions that Ms. Harbury attributes to it. The guerrillas, of course, have their own deceptions to account for. The U.S. government says it has "no reports to indicate" that Mr. Velásquez "was alive much beyond the first few weeks after his capture," but it continues to press the Guatemalans. It is a hard case.

The fate of a single guerrilla would not have been taken up by Washington at all except that he had an American wife. It also mattered that meanwhile a little noted but still active and promising peace process opened up in Guatemala under United Nations sponsorship and with U.S. support. Ms. Harbury and her supporters evidently saw in the Velásquez case a way not simply to seek human comfort but to dramatize the army's human rights conduct. She is calling for sanctions if her pleas for her husband are not met.

The U.S. government has its own sense of what it takes to maintain access and draw government, guerrillas and an army that distrusts them both into ending Central America's last and longest war. It rightly fears to see peace talks distracted by an already much investigated, still murky case whose central figure is a guerrilla combatant — no counterpart to the Velásquez whose murder brought the endgame in El Salvador. In Guatemala, the Velásquez case apparently is widely seen as siding with the guerrillas. Sanctions would weaken not so much the military as an elected civilian government struggling to do the right thing.

The Guatemalan peace process advances painful step by painful step. Some 300 UN personnel, for example, have now taken up work as human rights monitors. There lies the country's best hope.

— THE WASHINGTON POST.

## Republicans Are Wrong

The stark unfairness of the House Republicans' legislative agenda was on display last week when committees approved three bills that would drive millions of poor people off welfare in order to finance tax cuts that have been made even more favorable to the rich. The Republican Party is careering in a destructive direction.

By cutting perhaps \$70 billion, or 15 percent, out of poverty programs over five years, the Republicans would drive hordes of the poor off welfare without any help in finding jobs. This assault on the indigent cannot be explained away as necessary belt-tightening to reach a lofty purpose, like cutting the federal deficit. The Republicans need these cuts now to offset their first round of tax cuts, even before they get down to deficit reduction.

Last week they released proposals for cutting taxes that start with the skewed promises in the "Contract With America" and make them worse by giving less relief than originally planned to low-income families. Much of the tax cuts goes to upper-income families with capital-gains income, retirement savings accounts and Social Security benefits. Middle-class families with children get a tax credit. Gone are previous proposals for refundable tax credits for poor families with children or which incur expenses for adoption.

To help pay for these tax cuts, the welfare bills would discard the current pledge to aid every entitled poor person. They would cap federal spending for cash assistance, food stamps and child welfare and turn over block grants to the states for them to spend largely at will. These ingredients do not mix well.

Block grants would be callous to the poor and harmful to the economy. When recessions hit, Washington now automatically spends whatever additional welfare

money it takes to assist newly impoverished families. Under block grants, welfare money would not increase as the economy sours; instead, the states would stay within preset spending limits by raising eligibility standards or reducing benefits. That would eliminate a tool that Washington has used to fight off recession: pumping money into hands of poor consumers.

The Republican bills would discourage work. States could qualify for block grants by placing a high percentage of recipients into jobs, a costly exercise, or by reducing welfare rolls. Fiscally strapped states would almost certainly cut spending money on welfare-to-work programs and simply save money by paying cash.

Block grants would be destructive for another reason. States compete to attract tax-paying families and corporations. A state that would raise taxes to pay for job placement and other poverty programs would risk repelling taxpayers and attracting poor residents from nearby states.

To embrace the Republican plan, you have to believe at least three tales. First, teenagers will stop having babies they cannot afford to raise if they face a future without welfare. Second, states will spend money to help the poor in economically strained times. Third, the tax cuts that the Republicans propose will lead to an economic resurgence. Not one of these propositions finds wide support among experts.

On welfare reform, President Bill Clinton's vision has been largely right. He would offer assistance to the indigent if they agreed to undergo training, accept job placement and identify the fathers of welfare babies. The Republicans' vision is largely wrong. It would drive recipients off welfare even if they were willing to play by these reasonable rules.

— THE NEW YORK TIMES.

## How America Might Have Helped Avert the Slaughter

By Stephen S. Rosenfeld

WASHINGTON — Warren Zimmermann, the last American ambassador to the disintegrating Yugoslavia (1989-1992), has done the rare and deeply admirable thing of publicly acknowledging some American policy errors he had a hand in along the way.

I do not mean to penalize this widely respected, now retired diplomat for a virtuous deed. I do mean to note his candor, acuity and courage and to hold him up as a model of self-accountability for government officials everywhere.

In a memoir in Foreign Affairs magazine, Mr. Zimmermann avoids the familiar self-serving defense and apology you

**'Vance and the UN leadership in New York took the traditional if puzzling line that peacekeepers are used after a conflict, not before.'**

might expect from one who has committed the act that diplomats bleakly refer to as "losing" a country. He faces up honestly to his own role, and also to his country's role, in the Yugoslav disaster. Skip back to mid-1991, when the Serbi-

an-led Yugoslav army (JNA) started shelling the Croatian cities of Vukovar and Dubrovnik. Mr. Zimmermann writes:

"Shelling civilian populations is a war crime. Vukovar and Dubrovnik led directly to the merciless attacks on Sarajevo and other Bosnian cities. Yet no Western government at the time called on NATO's military force to get the JNA to stop shelling Dubrovnik, although NATO's supreme commander, General John Galvin, had prepared contingency plans for doing so. The use of force was simply too big a step to consider in late 1992. I did not recommend it myself — a major mistake. The JNA's artillery on the hills surrounding Dubrovnik and its small craft on the water would have been easy targets."

"Not only would damage to the city have been averted, but the Serbs would have been taught a lesson about Western resolve that might have deterred at least some of their aggression against Bosnia. As it was, the Serbs learned another lesson — that there was no Western resolve, and that they could push about as far as their power could take them."

"Even without threatening force, the United States could have thrown more weight behind the effort to prevent greater violence. However, between July 1991

and March 1992, the United States was not a major factor in the Yugoslav crisis.

"In the fall of 1991, at a U.S. ambassadors' meeting in Berlin, a friend from the State Department's European Bureau told me that Yugoslavia had become a tabu in Washington. Nobody wanted to touch it. With the American presidential election just a year away, it was seen as a loser. The use of force was simply too big a step to consider."

It is a bitter illustration of how we are all at risk of becoming prisoners of the mind-set of the day. But think about what Mr. Zimmermann is saying: Timely and judicious applications of force might have made a difference.

This is one man's judgment. But it is the judgment of the ranking American official on the ground, whose insight is made more credible by his inclusion of himself in the ranks of those who didn't fully grasp the point the first time around.

By late 1991, Bosnia's president, Alija Izetbegovic, was desperately casting about for ways to save his country from its voracious Serbian and Croatian neighbors. "He asked for and got [European Commission] observers in Bosnia," recalls Mr. Zimmermann.

"He asked for, but did not get, UN peacekeepers there. [Cyrus] Vance and the UN leadership in New York took the traditional if puzzling line that peace-

keepers are used after a conflict, not before. The U.S. government did not support Izetbegovic on the request for peacekeepers either. In a cable to Washington I urged this innovative step, but did not press for it as hard as I should have."

Ah, yes: the fault of conditional order, a familiar bureaucratic syndrome. Which of us, finding ourselves in a squeeze, has not raised a bold possibility and then softened its impact by a mild manner of argument? It is a way of having it both ways. But again, Mr. Zimmermann adds to his credibility by confessing up.

In these two episodes, he is describing two moments at which America might have made a difference by raising the stakes, with military force in the first instance and peacekeepers in the second.

The results of missing these moments were overwhelming. Frustrated on their request for peacekeepers, the Bosnians made what Mr. Zimmermann regards as the "disastrous political mistake" of asking for international recognition as an independent state — a step that gave the vastly more powerful Serbia pretext to strike.

Unopposed by force at Vukovar and Dubrovnik, the emboldened Serbs swept on to new rounds of devastation and ethnic cleansing, advancing the crisis that is still mushrooming today.

The Washington Post.

## The World Outside Isn't About to Let America Relax and Ignore It

By David S. Broder

WASHINGTON — The world is not going to give the United States and its politicians a pass. What experts have been saying for months has now become evident even to people like me. The respite from international responsibilities that began when the Cold War ended is just about over.

Americans are due to rediscover, for what may be the 10th time, that the world is a dangerous place that puts inexorable demands on America and its leaders.

To be sure, there have been challenges aplenty since the Berlin Wall came down and the Soviet Union imploded. Kuwait, Bosnia, Somalia and Haiti all have clamored for attention. But now the stakes are getting much higher.

Almost unknown to the American people, the president has pledged that up to 20,000 U.S. troops will go into the war-torn republics of the former Yugoslavia to help the United Nations peacekeeping forces withdraw. That pledge could be called before this month is out.

The mess in Bosnia and Croatia is a reminder that the NATO alliance has been unable to fulfill its security mission in Eastern Europe. It is also snarled in debate over whether to expand its membership to the borders of Russia.

France and the United States are quarreling over spy charges. The old problems remain in the Middle East and the Gulf. The New York Times headlines: "U.S. Says Evidence Shows Baghdad Is Rebuilding Its Plants to Make Chemical Arms." The Washington Post reports the United States at loggerheads with Russia over a proposed Russian sale of a nuclear reactor to Iran.

But all of this pales compared with what is happening in two nations that are absolutely vital to the interests of the United States and are headed for leadership crises that could crack their regimes.

The United States, wisely and inescapably, given the common

border, has made a huge investment in the economic and political development of Mexico, symbolized by the 1993 approval of the North American Free Trade Agreement, which will create a virtual free trade zone in all of North America. But the collapse of the peso and the unraveling of the Mexican ruling party threaten to reverse the progress that has been made there in recent years.

In the best scenario, if the \$20 billion U.S. loan guarantees to Mexico works, the conditions placed on that bailout virtually guarantee a severe recession in

Mexico, with likely impact on emigration to the United States.

Moreover, it will add to the political strains on the government of President Ernesto Zedillo, who has ordered the arrest of his predecessor's brother for allegedly planning the assassination last year of a rival political leader.

The light of capital, which was supposed to be stopped by the U.S. and international loan guarantees, has continued unabated. The United States could easily face a chaotic situation on its southern border within months. The situation looks no brighter

in Russia. Boris Yeltsin may or may not be able to control his drinking, but clearly he can no longer keep order in the Kremlin or the country. And this is the man Americans count on to safeguard the second-largest hoard of nuclear weapons in the world.

After the murder of Vladimir Lisitsyn, the country's most influential television commentator, by the Russian Mafia, the Russian Security Council said: "The lack of tangible results from the battle against organized crime is discrediting state powers" and "threatening the security of Russia."

The next day, The Washington Post reported that Mr. Yeltsin's

chief of staff, Sergei Filatov, "described an atmosphere of paranoia and hostility" in the Kremlin, "with hard-liners, led by Yeltsin bodyguard Alexander Korzhakov, exerting ever greater influence."

In the face of all this — and continuing problems with international drug trafficking, terrorism and nuclear proliferation — it is astonishing to hear members of Congress talking of America relinquishing its international obligations, or hear politicians and pundits express the view that domestic issues will surely dominate the 1996 presidential election.

What world are they living in? The Washington Post.

## There's a Smoking Mountain Across the Rio Grande

By Thomas L. Friedman

MEXICO CITY — Since taking office on Dec. 1, President Ernesto Zedillo has been overwhelmed by Mexico's economic crisis, which erupted 19 days after he was sworn in. This has left the impression that his cabinet is the gang that couldn't shoot straight.

His aides openly concede that they were not prepared to deal with the economic situation, large-

ly because they thought they were going to inherit a Rolfe-Royce economy, and when they discovered they had the keys to a jalopy about to be repossessed they weren't sure what to do. It has taken them two months to come up with a real rescue plan.

But what has been obscured is that Mr. Zedillo, while stumbling

around in economics, has simultaneously instituted an impressive series of political reforms — making Mexico more open, democratic and less corrupt than ever before — for which he has received no credit, at home or abroad.

Since coming to office, Mr. Zedillo has sacked the entire corrupt Supreme Court, which he replaced with new judges and made independent of the presidency; he has suppressed the guerrilla insurgency in Chiapas; he has empowered the traditionally rubber-stamp Mexican legislature with real oversight responsibilities; he has given the political opposition a significant role in his cabinet; he has begun instituting the rule of law, where arbitrariness used to reign; he has jailed the brother of ex-President Carlos Salinas, in a courageous effort to root out corruption in Mexico's Mafia-style ruling class.

In the short run, Mr. Zedillo is calculating that because Mexico is about to go through a brutal recession, with massive unemployment, having a more open political system that allows for more demonstrations and channels discontent via the ballot box may enable this society to blow off steam without blowing off the lid.

In the long run, he is gambling that by diffusing power, rather than concentrating it as his predecessors did, he will ultimately have more legitimacy, more authority and more cooperation from labor and business in getting this economy out of Chapter 11.

That is a big bet. Mexico has always been a country that relied on a strong presidency to deal with crises, and what is democracy to Mr.

Zedillo could be a tempting power vacuum to his opponents.

"This moment is one of a profound shaking of the political system," said Antonio Lozano, Mr. Zedillo's gungy attorney general, whose investigations of the previous government have turned up a trail of murder and drug money that has rattled the traditional power elite. "I have received full support from the president for my investigation. But we need support at home and from abroad."

That's for sure. As I left Mr. Lozano's office, I went to close his door and it was so heavy with bullet-proof glass and steel that I could barely move it.

Talking with several of Mr. Zedillo's aides and ministers, I came away feeling that they are "nice guys" who are in a bit over their heads. They lack what Mexican politicians call *cobolito*, or fangs. They need help from the United States, and I think they deserve it.

If Mr. Zedillo succeeds, the United States will finally have the sort of democratic Mexico as a neighbor that it has long coveted. If he fails, there will be an explosive, nationalist backlash.

"Wall Street can help by giving us a break — stop attacking us for 90 days," Finance Minister Guillermo Ortiz told me on Friday. "You don't have to be bullish on Mexico; just stop dumping the peso. Give our plan a chance."

There is a semi-active volcano east of Mexico City known as "Popo," an Indian word that means smoking mountain. In December, in the week when Mexico announced its disastrous peso devaluation, Popo started to spew smoke and ash, after a long period of inactivity. Mexico today is a smoking mountain.

The New York Times.

## Hurting Cubans Just for the Fun of It

By William F. Buckley Jr.

NEW YORK — If Senator Jesse Helms's rider on the defense bill gets passed, we Americans ought at least to know what we are up to. The measure is designed to tighten the hold on Fidel Castro's Cuba and goes so far as to forbid the importation of any agricultural products from any country that buys Cuban sugar.

The measure is approved by Bob Dole, the Senate majority leader, who is running for president. Campaigning in New Hampshire, he made dark references to a prospective easing by the Clinton administration of the general boycott on Cuba.

For the record (as the tergiversators usually begin), I have probably misread as many anti-Castro columns, speeches, articles and books as anyone alive. I think it important to say about Mr. Castro that he is a genuinely evil man, probably a sadist, certainly someone whose tortures, even of former companions, make for reading as lurid as the autobiography of Armando Valladares, who described his two decades in prison for the offense of questioning his old comrade's judgment on some matter or other.

There would have been plenty of justification over the years for launching an armed invasion of Cuba to replace Mr. Castro. The Bay of Pigs venture should have been forcefully backed by the government that initiated it. The series of exploding cigars and poisoned wet suits we sent to Cuba (Operation Mongoose) make the stuff of opera bouffe, but the idea was in context defensible. When the nuclear missiles arrived in Cuba, the consensus within the

Kennedy White House was in favor of a military operation.

But during those long days Cuba was a salient of a global effort to stamp out freedom all over the world and to terrorize the United States into submission to Moscow.

That has ended. Fidel Castro is now simply the bloody curator of a museum still running the old Marxist/Leninist script. The result is the protraction of very considerable suffering by 10 million Cubans.

Senator Helms, whose judgments are normally dead-on, advises us that his hope is that his bill "will hasten an end to the brutal Castro dictatorship and make Cuba free once more." Well, yes. But there is the problem that boycotts of this kind don't seem to work.

Four years ago, heavy thinkers on the geopolitical front were begging George Bush not to move against Saddam Hussein — we should give the boycotts a chance to work.

No country was ever more thoroughly boycotted than Albania under Enver Hoxha, who died in his bed. As did Kim Il Sung. But, respecting both countries, we were armed with the defensive license that permits, indeed encourages, strenuous activity on all fronts. But — again — the Cold War is over. North Korea presents the special challenge of nuclear mischief, but Cuba does not.

It is ironic that the Helms rider would impose penalties on trading with Cuba that America never dared to impose on its allies, who pretty soon after the Cold War began started in trading with the Soviet Union. When the Marshall Plan was

established, Senator James P. Kem of Missouri proposed a rider that I would have voted for at the time, and so would Jesse Helms, namely: No country trading with the Soviet Union would qualify for American aid.

What happened, in this order, was 1) the Kem amendment was defeated, 2) the European allies proceeded to trade with Moscow, and 3) pretty soon we Americans joined in and merrily traded with the country dedicated to our destruction.

People ask: When will Castro go down? That was first heard, in the context of the manifest imminence of his departure, soon after the Berlin Wall came down. That was six years ago.

If Mr. Castro is significantly weakened today, it is because his vital organs are aging. He finds no difficulty whatever in substantiating the impoverishment of the Cuban people in the name of his own majestic survival.

Oh God how fine it would be to see him arrested and tried by a Cuban court and then just plain shot, assuming that Cuban executioners would have the time to train to shoot without first torturing.

Representative Ileana Ros-Lehtinen, who represents a district in South Florida in which a majority are Cuban-American, comments that the boycott measures "have been effective and successful, and it would be wrong to do away with them."

They have not been successful. Meanwhile, Mr. Castro has become no more effective an enemy of the United States than Papa Doc Duvalier was. Huffing and puffing about bringing him down is sheer onanism, and we should be too grown-up for that business.

Universal Press Syndicate.



By GABLE in the Globe and Mail (Toronto). CWS Syndicate.

## IN OUR PAGES: 100, 75 AND 50 YEARS AGO

### 1895: Japan Hesitant

SHANGHAI — Although it is practically settled that Li-Hung-Chang will present terms of almost absolute surrender to the Japanese Government, it is certain that high Japanese circles are very skeptical about the conclusion of a peace. The Japanese army is determined to reach Peking.

### 1920: Turks in Europe

PARIS — [The Herald says in an editorial:] The moment that "history repeats itself" is strikingly verified in the interest centered on Constantinople. Protest loud and deep is heard in the present crisis against the decision of the Supreme Council to accord the Turk a fresh tenure of rule in the City of Constantinople. It was generally assumed that the result of an Allied victory would be the ending of the Turk's rule in Europe, a

regime Gladstone described as one of "massacre and robbery tempered by assassination." As the great emporium of commerce between Europe and Asia, the future of Constantinople is of world-wide importance. Despite their sanguinary record of massacre, the Turks should be treated justly. At the same time the people whom they have misgoverned should be delivered from their yoke.

### 1945: Remagen Battle

SUPREME HEADQUARTERS ALLIED EXPEDITIONARY FORCE — After a continuous build-up lasting for four days troops of General Courtney H. Hodges' 1st Army in the Rhine bridged across from Remagen launched strong attacks this morning [March 12] from the northern, eastern and southern sides of the perimeter. Gains of up to 2,000 yards were made.



ESTABLISHED 1857

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S.A. au capital de 1.200.000 F: RCS Nanterre B 73202126, Commission Paritaire No. 61337

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## CAREERS

## How to Get Managers to Do Better (Executive Incentive Plans)

By Erik Ipsen  
International Herald Tribune

LONDON — In the brave new world of shareholder activism, in a world where an obscure fund manager in Chicago can foreshorten the career of even a titan of international advertising like Maurice Saatchi, executives have lately become painfully aware of the need to deliver results.

As the ensuing exodus of both clients and key executives at Saatchi & Saatchi plc demonstrated, however, shareholder stick-wielding can only be a last desperate resort.

In the never-ending quest to bend recalcitrant company managers to shareholders' will, to persuade them to perform better, to think longer term, to think more like shareholders or simply to stick around, attention is turning increasingly to what might uncharitably be called bribery.

In Britain, where managers are routinely maligned for "short-termism," the nation's largest investors — its insurers — published guidelines last year for executive incentive plans.

The aim was simple. "We want to introduce a long-term mindset," said Richard Regan, head of investment affairs at the Association of British Insurers.

To attack the perceived lack of strategic vision in many companies, the association recommends that companies take a hefty slice of bonuses paid to senior executives and put it in incentive plans that pay out from three years on up. More importantly, Britain's

biggest investors want to make sure that those payments flow only if certain performance criteria are met.

At Reuters plc, for instance, the company's top 17 executives as of last year had payouts on their long-term compensation plan linked for the first time to the company's ability to outperform the average total return for companies listed in the Footsie 100 stock index. Other companies have turned to measures ranging from staff morale and customer satisfaction to the margin by which earnings per share growth outstrips inflation.

In the past, such attempts to get corporate leaders to excel at their jobs generally meant dangling a single carrot in front of them: share options exercisable at some future date. In the United States, the great bear stock market that saw corporate earnings double in the 1970s while share prices stagnated, rendered such incentives worthless. Not surprisingly, executives began demanding new plans that would reward their successes while not holding them hostage to the vicissitudes of the stock market.

In Britain, the lead has come from the other side. There the shift from options to a shareholder revolt. As Reuters's chairman, Sir Christopher Hogg, explained his company's move away from such a plan: "The fact is that shareholders can on occasion feel that managers have been excessively rewarded by share option schemes."

Mr. Regan is considerably blunter. For executives, he says, "it's heads I win, tails I don't lose." If the shares have risen, then the executive can cash in his options for a killing. And if they haven't, he lets the option drop and loses nothing. Even worse, some institutional investors have complained that a rising share price

may have less to do with dazzlingly brilliant corporate helmsmanship than with a bull market or even simply inflation.

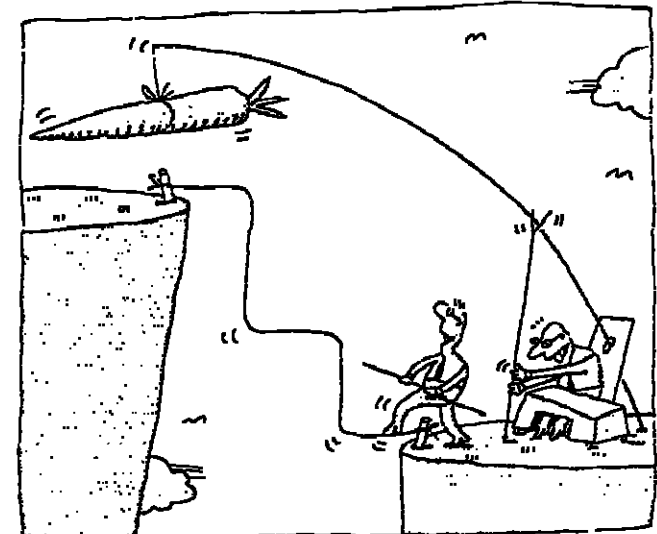
It is a problem that Grand Metropolitan plc, the world's largest spirits company, addressed last year by tacking on new performance conditions to its existing options-based incentive plan.

While these new incentive plans have all the wholesome appeal of mom and apple pie on paper, in practice they, too, have had their problems. "If they are not properly designed," said Philip Probert, an associate partner in the compensation practice at PA Consulting, "there can be certain presentational problems."

Indeed, there can. On the one hand, they have successfully insulated managers from the vagaries of the stock market. But some of the newer plans have outraged investors by delivering into the hands of executives fat bonuses for three or more years of splendid work at politically inopportune moments, when a sudden corporate misstep, for instance, has just sent their company's shares cascading through the floorboards.

If the deferred bonus is in the form of shares, the executives will feel some of the pain. If it is merely a delayed cash payment, there will be none.

In the United States, which led the way in the march away from simple stock options plans, there is growing doubt about some of the newer wrinkles on the theme. "In the United States, the shareholders view is that executives are hired to maximize the long-term value of their stock," said John McMillan, a managing director in the Houston office of William M. Mercer, the world's largest compensation and benefits consultants.



In Europe, the debate between shareholders and managers holds far less interest. There such plans have never taken root as they have in Anglo-Saxon nations. In Germany, for instance, institutional investors need not influence corporate chiefs or even policy from afar.

There, points out Richard Bednarek, director of executive remuneration at the Hay Group, "many of the banks have major stakes in corporations and actually have their people on the board influencing strategy directly."

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## CAPITAL MARKETS ON MONDAY

## Most Active International Bonds

The 250 most active international bonds traded through the Euroclear system for the week ending March 10. Prices supplied by Telekurs.

Rank	Issue	Cm	Maturity	Price	Yield
<b>Belgian Franc</b>					
124	Belgium 7	04/25/99	97.600	7.170	
125	Belgium 8 1/2	04/25/99	102.540	8.430	
190	Belgium 6 1/2	05/25/97	98.730	8.300	
191	Belgium 7 1/2	10/15/94	96.380	8.940	
223	Belgium 9	02/25/93	104.700	8.600	

<b>British Pound</b>					
201	Not. & pr. FRN	4 1/2	02/02/01	99.210	8.900

<b>Canadian Dollar</b>					
228	IPC	zero	09/15/00	103.000	8.700

<b>Danish Krone</b>					
1	Denmark 7	12/15/94	96.320	8.110	

2	Denmark 8	03/15/96	93.430	8.500	
13	Denmark 8 1/2	03/15/96	91.430	8.700	
22	Denmark 9	11/15/94	92.550	9.010	
23	Denmark 9 1/2	11/15/94	91.550	9.200	
24	Denmark 10	12/15/94	89.700	9.600	
25	Denmark 10 1/2	11/15/94	88.500	9.700	
46	Denmark 11	08/15/95	102.580	9.200	
52	Denmark 11 1/2	11/15/95	100.800	9.700	
62	Denmark 12	06/15/96	96.280	9.400	
84	Denmark 12 1/2	04/15/97	92.740	9.700	
88	Denmark 13	11/15/01	94.750	9.400	
96	Denmark 14	02/15/02	97.880	9.400	
102	Denmark 15	11/15/02	97.880	9.400	
108	Denmark 16	10/02/95	96.110	9.300	
113	Denmark 17	07/15/95	96.301	9.700	
124	Denmark 18	02/15/96	96.301	9.700	
138	Denmark 19	02/15/96	96.301	9.700	

<b>Deutsche Mark</b>					
1	Germany 7 1/2	01/03/95	99.670	7.400	
3	Treasury 7 1/2	01/03/95	100.280	7.400	
4	Germany 8 1/2	01/03/95	99.670	7.400	
5	Germany 9 1/2	01/03/95	99.670	7.400	
6	Germany 10 1/2	01/03/95	99.670	7.400	
7	Germany 11 1/2	01/03/95	99.670	7.400	
8	Germany 12 1/2	01/03/95	99.670	7.400	
9	Germany 13 1/2	01/03/95	99.670	7.400	
10	Treasury 13 1/2	01/03/95	99.670	7.400	
11	Treasury 14 1/2	01/03/95	99.670	7.400	
12	Treasury 15 1/2	01/03/95	99.670	7.400	
13	Treasury 16 1/2	01/03/95	99.670	7.400	
14	Treasury 17 1/2	01/03/95	99.670	7.400	
15	Treasury 18 1/2	01/03/95	99.670	7.400	
16	Treasury 19 1/2	01/03/95	99.670	7.400	
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49	Treasury 52 1/2	01/03/95	99.670	7.400	
50	Treasury 53 1/2	01/03/95	99.670	7.400	
51	Treasury 54 1/2	01/03/95	99.670	7.400	
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73	Treasury 76 1/2	01/03/95	99.670	7.400	
74	Treasury 77 1/2	01/03/95	99.670	7.400	
75	Treasury 78 1/2	01/03/95	99.670	7.400	
76	Treasury 79 1/2	01/03/95	99.670	7.400	
77	Treasury 80 1/2	01/03/95	99.670	7.400	

Rank	Issue	Cm	Maturity	Price	Yield	Rank	Issue	Cm	Maturity	Price	Yield
79	Germany	8 1/2	05/22/95	100.450	8.600	100	World Bank	4 1/2	12/22/97	104.250	4.250
80	Germany	9 1/2	10/21/92	99.123	7.900	109	Italy	4 3/4	09/20/91	94.970	5.490
81	Germany FRN	5.28	09/20/94	98.83	5.347	110	Spain	4 3/4	09/20/91	100.000	4.500
82	Germany	10 1/2	09/20/94	103.453	8.210	146	Spain	6 1/2	07/22/04	101.500	4.500
83	Treasury 11 1/2	0 1/2	09/20/94	98.800	8.200	147	World Bank	5 1/4	03/03/96	106.730	4.900
84	Treasury 12 1/2	0 1/2	07/09/93	94.920	8.900	148	World Bank	5 1/2	03/03/96	106.730	4.900
85	Treasury 13 1/2	0 1/2	07/09/93	91.817	7.810	149	World Bank	5 1/2	03/03/96	106.730	4.900
86	Treasury 14 1/2	0 1/2	07/09/93	88.700	7.100	166	Santander Ind'l	4.70	02/28/00	102.350	4.900
87	Treasury 15 1/2	0 1/2	07/09/93	85.593	6.400	167	Italy cl b	5	12/19/94	101.250	4.900
88	Treasury 16 1/2	0 1/2	07/09/93	82.486	5.700	168	Italy cl b	5 1/2	12/19/94	101.250	4.900
89	Treasury 17 1/2	0 1/2	07/09/93	79.379	5.000	211	Japan Dev. Bk	6 1/2	09/20/91	111.620	5.700
90	Treasury 18 1/2	0 1/2	07/09/93	76.272	4.300	212	Sweden	6 1/2	02/04/96	106.250	4.400
91	Treasury 19 1/2	0 1/2	07/09/93	73.165	3.600	213	Sweden	6 1/2	02/04/96	106.250	4.400
92	Treasury 20 1/2	0 1/2	07/09/93	70.058	2.900	214	Sweden	6 1/2	02/04/96	106.250	4.400
93	Treasury 21 1/2	0 1/2	07/09/93	66.951	2.200	215	Sweden	6 1/2	02/04/96	106.250	4.400
94	Treasury 22 1/2	0 1/2	07/09/93	63.844	1.500	219	Kobe steel	5.80	05/28/97	104.087	5.500
95	Treasury 23 1/2	0 1/2	07/09/93	60.737	0.800	228	Italy	5 1/2	07/20/93	103.500	5.000
96	Treasury 24 1/2	0 1/2	07/09/93	57.630	0.100	230	Germany	4.10	07/20/93	103.500	5.000
97	Treasury 25 1/2	0 1/2	07/09/93	54.523	-0.600	342	World Bank	5 1/2	08/07/96	104.500	5.000
98	Treasury 26 1/2	0 1/2	07/09/93	51.416	-1.300	343	World Bank	5 1/2	08/07/96	104.500	5.000
99	Treasury 27 1/2	0 1/2	07/09/93	48.309	-2.000	344	Sweden fin, FRN	2.46	08/08/05	99.917	2.400
100	Treasury 28 1/2	0 1/2	07/09/93	45.202	-2.700	345	Sweden fin, FRN	2.46	08/08/05	99.917	2.400
101	Treasury 29 1/2	0 1/2	07/09/93	42.095	-3.400	349	Westin fin	2.46	08/08/01	105.500	4.200



MONDAY, MARCH 13, 1995

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## CYBERSCAPE

### Little Risk of Traffic Jam On Germany's Infobahn

By Brandon Mutchner

FRANKFURT — Years of investment in fiber-optic cables and digital technology have made Germany's so-called Infobahn a model for the kind of integrated information superhighway the United States still dreams about. But high prices, a worrywart mentality and weak entrepreneurial spirit threaten to jeopardize that lead, many observers say.

"We're living on borrowed time with our over-cautious, risk-averse and bureaucratic mentality and our bad environment for small business starts," said Franz-Josef Rademacher, a professor at the University of Ulm.

"An infrastructure is only as strong as its weakest link," agreed Günther Möller, an Infobahn specialist at the German Electronics Industry Association.

With 80,000 kilometers (50,000 miles) of fiber-optic cable linking 14.2 million households and 500,000 customers — mostly businesses — with integrated services digital network phone connections, Germany has Europe's biggest network capable of handling large volumes of data at high speed. The network continues to grow fast.

Big German companies are tripping over one another to jump aboard the Infobahn. Telecommunication companies are linking up with media companies. Both are linking with foreign partners. The momentum of new ventures is sure to inspire others to hop aboard. But without a speedy liberalization of communication services — competition would drive down costs — and a proliferation of computers in private homes, the Infobahn will remain a highway with very few drivers, some in the industry say.

"We have the technology, but we're incapable of creating the markets and we don't have any vision, either," said Bernhard Dorn, an executive with IBM Deutschland GmbH.

Gerd Tenzer, an Infobahn specialist at Deutsche Telekom AG, the German cable and telephone monopoly, said the success of U.S. entrepreneurs at providing new services on the information superhighway was one of the main factors breaking its appeal in Germany. Although membership is growing fast, only 800,000 people currently make use of Telekom's 12-year-old BITK, a system similar to France's Minitel. Most use it for home banking, consulting, rail and airport timetables, checking on the weather and skimming the latest headlines. Only recently has it received a user-friendly face lift and added services such as newspaper databases, most of which remain prohibitively expensive for most potential users.

But as hardware prices drop, users will undoubtedly be drawn to the Infobahn as public awareness of the potential of cyberspace grows. The accompanying structural changes will create millions of new jobs, said Ernst Georg Stöckl, chairman of AEG AG.

Cyberscape Address: Cyberscape@tut-ltd.demon.co.uk

Without more competition, the Infobahn will have very few drivers.

## Graham Nash, Virtual Teacher

By Charles Berman

New York Times Service

NEW YORK — In the information age, powerful technology without compelling content is an empty experience indeed. This realization by Graham Nash, the singer, led to his partnership with Silicon Graphics Inc., a maker of powerful graphical workstations.

With the backing of the California-based company, Mr. Nash has created Lifesights, which he describes as "a one-man historical, musical, informative, empowering stage show," which he intends to take on the road this summer to college campuses and small theaters.

Lifesights, developed in conjunction with Rand Weatherwax, a producer and software programmer, uses multimedia technology to present Mr. Nash's life and times in story, video and song — from his birth in wartime England, through his childhood in Manchester, his musical career with the Hollies and then Crosby, Stills and Nash, and then as a solo artist and social activist who now lives in Encino, California.

During a Lifesights performance, Mr. Nash intends to take the stage, live, to

assume the role of host and teacher for this digitally driven, personal examination of modern history.

Lifesights will include 25-foot-high computer-generated images of historical figures like Churchill, Stalin and Hitler, who, with the aid of actors speaking offstage, will appear to answer questions from the audience.

Q: Where did the idea for Lifesights originate?

A: It came from a series of college lectures I did several years ago. The kids had a lot of questions about Watergate, Woodstock and everything in between. I wanted to find a way that I could make them visualize what I was talking about. I set about to create a database of all that information, one that I could manipulate in real time. So I can talk about a subject for 10 minutes one night, and give it one minute the next.

Q: That is a typical Lifesights encounter?

A: I talk about Manchester, and how World War II affected me on a personal level. So I bring up world leaders of the time — Stalin, Hitler, Roosevelt, and Churchill — and interact with them.

Q: What technical obstacles have you faced?

A: We had to figure out what the database and interface should look like. We had to make it clear that I was reacting to this information in real time, rather than responding to packaged information on a tape or a video disk. And we wanted to do something unique.

Q: How do college students react to you and your music?

A: They are most curious about the 1960s. It was the last time the youth of this country felt that they had any control over their own destiny. Kids want to know about that time, and how they can retain that power. I will provide them with information about how to take action, giving them the ammunition to become involved. I don't want to talk about the problems in this country without giving them some tools to deal with them.

Q: What are the benefits of today's technology?

A: It's making the world more accessible. The world is shrinking, and technology brings you closer to other people. This decreases the propensity to kick the hell out of them and kill them. The Internet gives you a better sense of community.

## Its Boss Banned, Alcatel Seeks Trading Halt

Reuters

PARIS — Alcatel Alsthom has asked for its shares to be suspended in Paris and New York on Monday while the company decides how to proceed after its chairman was banned from running a business in France.

The board will meet Monday to discuss the company's predicament after Pierre Suard, one of France's most influential businessmen, was put under formal investigation on Friday and banned from running a company pending a judicial probe into alleged overbilling of state-owned France Telecom.

François de Laage de Meux, Alcatel's managing director, said Mr. Suard, 60, would not be asked to resign and that the company's directors had the fullest confidence in their chairman.

"We have asked for our shares to be suspended on Monday until we will have published a statement following our board meeting," he said. He said Mr. Suard, who is now only allowed to speak through his lawyer and is forbidden to meet any of his staff, was in a fighting mood and convinced his name would be cleared.

He said Alcatel was the victim of a destabilization campaign by a foreign company trying to break into the French telecommunications market. "We have asked the competent French authorities to investigate whether the company is victim of industrial espionage," Mr. de Laage de Meux said, declining to name the rival company.

Forcefully denying the overbilling allegations, Mr. de Laage de Meux said the company was still in negotiation with France Telecom about renewing a three-year supply deal and risked losing business. "Overbilling is a wrong word and totally inappropriate to our situation," he said. "Alcatel has never overbilled anybody. Alcatel has always delivered its products at agreed prices and quantities."

The claims of overbilling France Telecom were made last July by a former accountant at

## Wolfensohn Tapped for World Bank

By Clay Chandler

Washington Post Service

WASHINGTON — President Bill Clinton has chosen James D. Wolfensohn, a U.S. financier and chairman of the Kennedy Center for the Performing Arts, to replace Lewis T. Preston, the ailing president of the World Bank, administration officials said.

Mr. Wolfensohn, 61, has spent the past five years trying to pump new money and vigor into the financially troubled performing arts center and won praise for his handling of a six-week strike by the center's Opera House Orchestra in 1993.

By tradition, the head of the World Bank has been nominated by the U.S. government and ratified by the World Bank's directors.

Mr. Preston, 68, announced last month that he had cancer and has expressed a desire to retire.

Mr. Wolfensohn, a Wall Street partner of Paul A. Volcker, the former chairman of the Federal Reserve Board, narrowly edged out Treasury Undersecretary Lawrence H. Summers, officials familiar with the decision said.

## ING to Keep U.S. Backs China's WTO Bid

### Close Eye on Singapore

By Steven Mufson

Washington Post Service

BEIJING — China and the United States signed an agreement Sunday that eases access to China's markets for U.S. products in exchange for increased American support for China's bid to enter the World Trade Organization as a founding member.

The agreement appeared to signal that China, probably the world's fastest-growing export power, would soon resume negotiations that would bring it further in line with world trading standards and guidelines.

The latest turn in the zig-zag trade negotiations came after a four-hour meeting here Sunday morning between Mickey Kantor, the U.S. trade representative, and Wu Yi, China's minister of foreign trade and economic cooperation. Only Saturday, the two were warning publicly of further trade battles between the two countries.

Under the accord signed Sunday, the United States agreed to drop its earlier objections to considering China as a developing country in its application to the World Trade Organization. China has demand-

ed such status, which would give it more time to lower barriers to trade and to fully open its highly protected markets.

In return, by the end of this month, China will resume the implementation of a 1992 pact obliging it to lift almost 3,000 quotas, licensing requirements and other barriers to imports of U.S. goods. China had suspended the implementation of that pact in January after it failed to get into the new WTO. China also agreed to hold talks to further open up insurance and telecommunications markets.

In addition, China signed a new agreement that will permit more imports of U.S. agricultural products, dropping its earlier objections over the possible spread of animal and vegetable diseases through such imports.

Future decisions on that issue would be based on "sound science," the agreement says. "This sounds arcane, but it is extremely important because it affects one of our major export areas, agriculture," a U.S. trade official said. The agricultural accord will ease the way for imports of tobacco, citrus fruits and live cow embryos from the United States.

The talks on Sunday ap-

## Iraq Boasts of Vast Oil Output Potential, But West is Skeptical

Reuters

BAGHDAD — Iraq's oil minister said his country was sitting on undeveloped fields that could produce more than 4.5 million barrels per day, but Western oil industry executives greeted the forecast with skepticism Sunday.

"Anyone would salivate over such figures," a Western participant in a two-day oil conference here said. "But figures are something and real business is something else. There are also a number of things which, arithmetically, cannot be correct."

Safa Hadi Jawad, the country's oil minister, told the delegates Saturday that Iraq possessed at least 112 billion barrels of proven reserves and 214 billion of probable reserves.

Mr. Jawad said Iraq needed \$25 billion to revitalize its oil production and exploration over the next five to eight years.

Even if Iraq was able to rebuild its oil industry, it faces a battle with the Organization of Petroleum Exporting Countries to regain its 3.14 billion barrel-per-day production quota. That was the

quota in place before Iraq invaded Kuwait in 1990.

Mr. Jawad said that 2 million barrels per day of Iraq's lost market share were now being produced by Saudi Arabia, its diarch foe since the 1991 Gulf War.

"It would be hard to persuade a country to relinquish part of the quota it

"The market is volatile and it is good for speculators," he said. "When the embargo is lifted we will all know the truth."

Tom Stauffer, a consultant to several U.S. oil companies, said Mr. Jawad's forecast was "not impossible."

"Potential reserves here are so large. There are some splendid oilfields here to be developed," he said. "This is something that we should worry about."

The conference was the first of its kind in Iraq since the Gulf War.

Mr. Jawad said Iraq held "serious" discussions with foreign oil and gas companies at the conference about possible ventures once the UN embargo was lifted.

Several foreign companies attending the conference said they had held preliminary talks with Iraq on exploiting new gas and oil fields but had not violated UN sanctions by concluding any deals.

U.S. companies did not send representatives to the conference, but American consultants did attend.

According to the Cyprus-based weekly the Middle East Economic Survey,

Iraq has been negotiating contracts with about 20 oil companies keen to cash in once the UN embargo is lifted.

"Who comes the first, he wins," Mr. Jawad said. He added, however, that "any company that comes is welcome, even American."

Iran Unveils Oil Export Plans

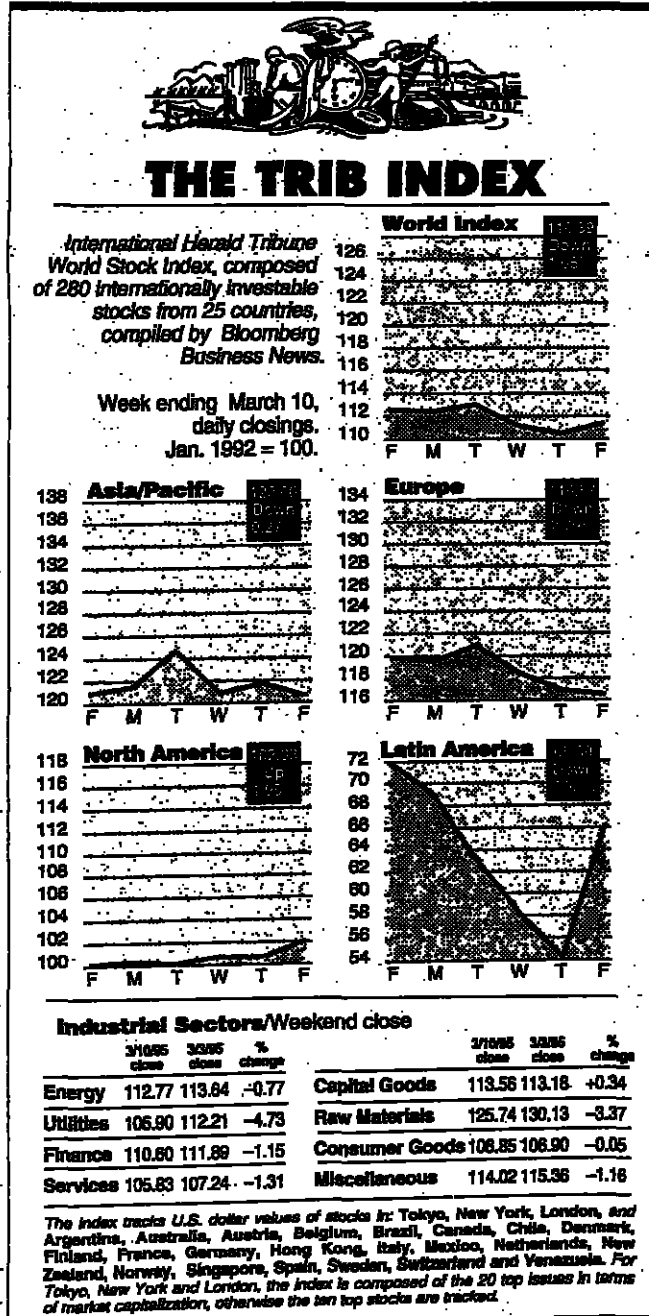
Iran expects to earn \$13.65 billion in oil revenue in the 1995-96 financial year, according to official figures, Agency France-Presse reported from Tehran.

The Parliament authorized the oil ministry to export 2.34 million barrels per day at \$15, said Gholamreza Aghazadeh, the country's oil minister.

Deputies also set a ceiling on exports of 2.5 million barrels per day for the Iranian year beginning March 21.

The ministry also will be able to sell 150,000 barrels per day to pay for imports of refined products for domestic consumption.

Iran's oil production capacity is 4.2 million barrels per day according to official figures — higher than its current quota of 3.4 million barrels set by OPEC.



## CURRENCY RATES

March 10									
Cross Rates									
American	1.00								
British	0.65								
French	1.66								
German	1.36								
Italian	1.36								
Japanese	148.15								
Swiss	1.48								
Spanish	166.36								
U.S. dollar	0.78								
Yen	148.15								
Other Dollar Values									
Argentine	1.00								
Australian	1.00								
Canadian	1.00								
Chinese	8.27								
French	1.00								
German	1.00								
Italian	1.00								
Japanese	148.15								
Swiss	1.48								
Spanish	166.36								
U.S. dollar	0.78								
Yen	148.15								
Forward Rates									
30-day	1.00								
90-day	1.00								
180-day	1.00								
360-day	1.00								

## A Scottish City Skirts Its Past to Pay for Its Future

More than 20 years after the collapse of its industrial base, Glasgow is still struggling to redefine itself. Once it was one of the world's greatest industrial centers, a place where 20-odd shipyards annually churned out half the world's new ship tonnage, much of it made of locally milled steel.

"We have gone from a base of manufacturing and heavy engineering to a position now of having very little of either," said Mark McVicar, the head of corporate lending for the Royal Bank of Scotland in Glasgow. "It is not overly surprising that we still have an unemployment problem."

With a jobless rate of 15 percent, Glasgow has struggled to adjust to the post-industrial age by luring service-sector employers in banking, insurance and tourism. But even some of its successes have proved frustrating.

"Most of the new jobs have been clerical jobs for young, primarily female workers," said Stephen Inch, head of economic development for the city. "Most of our unemployed are men aged 35-plus."

Even the success government agencies have had in persuading foreign high-tech companies to set up shop on the verdant planes above Glasgow — where much of Europe's computer production is now concentrated in Silicon Glen — has had little impact inside the city.

"Most of the inward investment has bypassed the city," conceded Kevin Kane, head of development projects with the Glasgow Development Agency.

As those high-tech companies on Glasgow's periphery mature from simple assembly operations to include marketing and research, Glasgow's city fathers hope to finally reap their share of the benefits through greater demands on local service industries and research centers. In the meantime, they are struggling to recast their city of 670,000 inhabitants as an attractive and even trendy place.

The legacy of its affluent, industrial past — its black and block of listed residential and commercial buildings — plus its network of more than a dozen universities and community colleges lie at the core of

Glasgow's current efforts to sell itself.

Late last year that sales pitch scored a major victory. In a close contest, Glasgow nudged out Liverpool as well as its archrival Edinburgh to be named the City of Architecture and Design 1999. In so doing, Glasgow won the right to host a year-long celebration in that year as well as a fresh drollup of public funds to help pull it off.

Funds in Shallow Grave

Of all of Glasgow's attempts to find a new future, one of the oddest is its nascent, publicly funded effort to break into the movie business. A new entity called the Glasgow Film Fund has been cast in the demanding role of financial backer for worthy film projects. In return for a dip in the public purse, moviemakers are required to return the favor by contributing to the local economy at least twice the sum of money they get from the fund.

The Glasgow Film Fund offers financing of up to £150,000 (\$237,000) per movie. Its official brochure also promises producers "every location you'll ever need."

The brochure includes a list of possible locations ranging from a city hall that it ranks as a "dead ringer for the Vatican" to modern office buildings that "double as Manhattan."

Even Glasgow's decaying warehouses, docks and manufacturing plants — the detritus of its glory days — get the full Hollywood treatment and are billed as the city's "darker, atmospheric side" and "a legacy of its industrial past."

Nearly two years ago when the would-be producers of a movie called "Shallow Grave" knocked on the door of the fund, they ended up walking away with every pound it had.

"Shallow Grave" has become one of the biggest movies of the year in Britain this year and has recently gotten off to a promising start in U.S. theaters.

In fact, Glasgow not only got its required contribution of local spending — interior shots for "Shallow Grave" were done in a specially made set in an old warehouse near the city's docks — but also stands to get a 13 percent slice of the net profit from the film.

Emboldened by its initial success,

Eric Ipsen











**Consolidated trading for week ended Friday, March 10.**

Stocks	Div	Yld	Sales			Chge
			100s	High	Low	

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**Continued on Page 27**

July 15, 1950



# doing business with china



Western enterprise meets Chinese consumers — at a Beijing trade fair.

## REFORM DILEMMA: MORE EFFICIENCY MEANS FEWER PEOPLE EMPLOYED

Allowing loss-making companies to go bankrupt can have far-reaching effects.

**A**fter a year of phenomenal growth, China's capital, Beijing, now still has only 13 percent the number of cars that Los Angeles has, but Beijing has the same traffic jams as other cities of the world.

China's phenomenal economic growth has produced another sort of traffic jam, and this has slowed essential reforms to the state sector. The economic reforms are torn between two basic but conflicting needs: the first, to stop the influx of foreign funds and imports, which are forcing the money supply and inflation rate up; the second, to increase the use of foreign technology and funds in order to salvage sagging state enterprises and provide a technology boost.

Add to this a mixture of vested interests, including banks with outstanding loans and tens of millions of potentially unemployed workers, and you have an economic traffic snarl of national proportions.

The government has indicated its desire to carry through painful reforms. In the past year, new laws on advertising, banking, foreign exchange, and taxes have been pushed through, some despite powerful opposition. But the most difficult still remain, put off from last year because of their sensitivity.

**Funding social security**  
Probably the thorniest issue is a revamping of the aging, lumbering state enterprise system. If China moves quickly to allow the bankruptcies of loss-making companies, it will throw as many as tens of millions of workers out of work, with the social security system based on the United States model not due to be completely funded until early next century. If the system is not changed quickly, the economy will creak along under the strain of 20 percent inflation.

"China cannot stomach high inflation but, at the same time, political stability is threatened by the measures which must be taken to control it," says Jim Walker, chief economist at Credit Lyonnais Securities, in his latest report. "Yet there are signs that the government is putting in place the mechanisms to cool growth and accept higher unemployment in the short term."

Until now, the government has relied on its fast-paced growth to sustain jobs, but with the need to cool inflation and economic growth, the critical unemployment issue has come to the fore. Urban unemployment, including those with jobs but nothing to do, already account for 16.7 percent of the total work force of more than 300

million, official figures show, while the rural unemployed number a staggering 37 percent of the nation's approximately 900 million.

If that scenario is not scary enough, government figures show that each bankrupt company can bring down eight healthy ones when it goes, either because of massive accounts owed by the pauper company or because the healthy company sells it most of its wares.

But the largest obstacle is the local (or national-level) bank, which has been forced for years to prop up doubtful companies with "loans" that are never paid back. "The authorities have to pick and choose very carefully where and when to allow a company to go bankrupt," said a Beijing-based Chinese economist. "First they must untangle the web connecting the company to others and to the banking system."

**Steel expansion**  
Some sections are doing better than others. In steel, for instance, imports to China from the Korean company, Pohang Iron and Steel, the world's second largest steel maker, grew in 1993 to 1 million tons, in spite of a world downturn. "We are optimistic because the China market is booming," says Tae Hyun Jeong, deputy general manager of strategic development for Pohang. He predicted a strong 1995.

The textile industry, which comprises 16 percent of the national product and 30 percent of exports, is a textbook study of an industry in need of reform. With 15 million workers in 20,000 companies, China is the largest maker of silk products and the number-two producer of wool products. But like the rest of industry, many companies are in the red, and the state is looking for foreign firms to infuse cash and upgrade technology.

"We need a tremendous amount to upgrade technology in our chemical fiber and raw materials sector, and we want to open this up to foreign financing," says Wu Wenying, chairwoman of the China National Textile Council.

Partly due to Mrs. Wu's lead, the technologically upgraded textile industry is one of the early success stories, as exports for 1994 surged 30 percent over 1993, and 1993 losses of \$120 million were transformed into profits of \$190 million last year.

Officials believe they are on the right track. Official figures say 34 percent of all state-run enterprises were in the red last year, down from 50 percent at the beginning of the year. The situation could look a lot better toward the end of 1995, the government says.

N.D.

## AGENDA 21 ACTS TO CLEAN CHINA'S ENVIRONMENT

Problem receives \$1.7 billion in World Bank loans.

**O**n a typical day in any major Chinese city, foreign tourists will marvel at ancient treasures and palaces, gaze in surprise at the crowds and admire the industriousness of a nation on its feet to modernize the country.

Sadly, they are also likely to be left with an uglier impression: China's environment is probably the dirtiest they have ever experienced. Chinese cities now comprise the five most polluted in the world in terms of particulate emissions.

The world's largest coal producer and energy user, China has 3.2 trillion tons of coal reserves

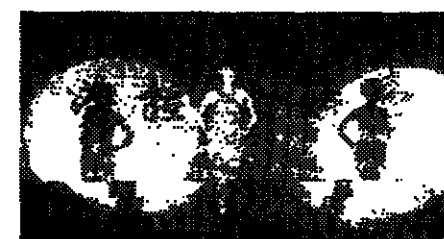
that it must use to fire its economic reforms. There is no immediate solution, and even the long term ones will take hundreds of billions of dollars. Fortunately, a strong movement has begun to raise the money and address the problems, with international "clean" production technology and expertise — and domestic propaganda — at the center of the thrust.

One of the strongest backers is the World Bank, which has lent \$1.7 billion to 15 projects in China so far. "Environmental projects are the fastest-growing part of our portfolio in China, and the World Bank's lending for environmen-

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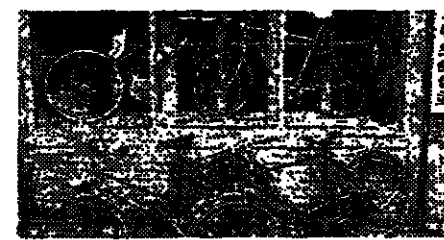
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## A SOBER LOOK AT RESPONSIBILITIES OF GROWTH

Rapid expansion demands control of inflation.

**W**ith strong 11 percent growth in 1994, China looks forward to a 1995 of speedy economic expansion, but it is nevertheless sober about the formidable socioeconomic problems it faces.

The past year witnessed a government managing a difficult transition with victory after victory, chalking up trade surpluses and record bank savings and foreign exchange reserves while repairing strained trade relations with the United States.

It also saw record-breaking urban inflation rates — as high as 27 percent at one point — that if continued could send the economy into a tailspin. On the political side, the leadership prepared for the passing of senior leader Deng Xiaoping by denying rumors of his death, yet acknowledging that his health is declining. Even in this interim period, during the twilight of an outstanding political leader's career, economic statistics prove that China is economically stable.

"China is on a more consistent course than any other country in the last 15 years," says Howard Pierce, president of engineering giant ABB's China division.

### Key indicators

After a worrying period of high inflation, the urban rate has subsided to just over 20 percent, and leaders hope to lower it to 15 percent by the end of the year. Meanwhile, individual bank deposits are up to a record high of \$235 billion, and fixed asset investment growth is down (both key indicators that the economy is not overheating).

While explosive growth and waves of foreign investors have brought China riches that would have been thought impossible 15 years ago when reforms began, they have also brought heightened expectations among China's own people and the foreign community.

China has undoubtedly become a leading member of the world of nations — it is a rising economic and political powerhouse, with all the headaches and responsibilities that go with the position.

In 1995, China, like any nation, must deal with a difficult domestic agenda that includes painful restructuring of state enterprises, huge potential layoffs and the reduction of inflation.

### Long negotiations

At the same time, Beijing must persist with difficult negotiations over its nine-year application to join GATT (or the World Trade Organization), while negotiating a new copyright protection accord with the United States and deflecting criticism over the \$29 billion trade surplus with Washington. But most business executives dismiss the problems as similar to those of any large country experiencing growing pains.

"Certainly there are problems, and sometimes reforms cannot go as quickly as the Chinese would like," says Francis Leung of Peregrine Investment Holdings.

Despite trade and human rights rifts with the United States, international big business has continued to invest heavily, treating China as a communist nation in name only, while their customers from Peoria to Prague and Penang enjoy Chinese-made products at discount prices.

Sino-U.S. arguments over protection of intellectual property ended happily in February, with Beijing agreeing to turn up the heat on pirates copying up to \$1 billion worth of compact discs, videos and software.

### Hefty purchases

With the new Sino-U.S. copyright agreement in hand, software makers and the U.S. film industry can look forward to having a banner year in 1995 as cooperation between the two countries rolls ahead. Other strong bets for foreign interests in 1995 will be the agriculture, aviation, energy, transportation and telecom industries as China loosens some restrictions on investment and makes hefty new purchases of items such as airliners and wheat.

Foreign representatives are applauding the accord with the United States, saying it shows China wanted to beef up its legal system quickly. They predict more of the same in the future. "China wants to open up its economy further and would like to deal with the major countries of the world," Mr. Leung says.

Mr. Pierce of ABB agrees. "I see the pendulum starting to swing away from liberalization, not politically but economically, so that the government shifts its energies to things like the stricter regulation of hard currency," he says.

Indeed, despite the government predictions of a further slowing of growth to 9 percent this year, it is the burgeoning supply of currency, both foreign and local, that economists and business executives say will be the country's largest 1995 hurdle.

### Foreign reserve giant

A combination of impressive personal savings and foreign investment that jumped by one-third in 1993 has glutted Chinese banks, helping transform the country into a foreign exchange reserve giant but tempting central bankers to print money to buy dollars.

"China is on a rapid expansion program, and the biggest change since this time last year is the realization that inflation is not yet controlled and that they have to work harder," says Mr. Pierce.

High spending on fixed assets (although not quite as high as last year) helped the construction industry, despite gloomy predictions following the imposition of a 60 percent real estate capital gains tax.

Other 1994 winners were in the chemicals industry — especially for cotton-substitute chemical fibers after China's cotton harvest was hit by boll worms — and luxury goods like automobiles, boosted by rising disposable incomes.

Nick Driver

"CHINA" was produced in its entirety by the Advertising Department of the International Herald Tribune.  
WRITERS: Nick Driver and Julie Lee are Beijing-based writers on the staff of the Euro Asian Business Consultancy; Dexter T. Roberts, Alexander Gray and William Brent are free-lance writers based in Beijing; Timothy Harper is a writer and lawyer based in the United States.  
PROGRAM DIRECTOR: Bill Mulder.



## doing business with china

STOCK MARKET PROBLEMS  
HELP BONDS TO PROSPER

Exchange authorities plan for a more secure regulatory and legal framework.

**T**he biggest news for China's financial markets in 1994 was not the precipitous decline in stock values and trading volumes, but the bond market's strong move to take their place. Last month, futures-driven trading in "T-notes" on the Shanghai Stock Exchange reached a record turnover of

disappointed by the poor performance of most stocks, have deserted to other instruments in droves. In 1993, debt instruments accounted for only 3 percent of the stock exchange's trading volume, with a turnover of \$873 million. One year later, turnover had reached a yearly \$232 billion, leaving stock volumes far behind. Even before last month's debacle, most foreign in-

grine Investment Holdings Ltd., a major China direct investor. "I would advise most investors to invest in H-shares or other China-related instruments," he said, outlining the success Peregrine had in helping American Standard set up a \$83 million holding company for China.

Others are even more negative. "Investors are finally confronted with the harsh realities and pains of the economic reforms... as the simple China concept (stock) has lost its luster, investors have become skeptical and demanding," the respected China Monitor of Credit Lyonnais Securities said last month.

## Pension fund ban

The bond enthusiasm began in October 1993, when the Shanghai Stock Exchange decided to introduce futures trading in T-notes, drastically cut trading fees and allowed margin trading in notes and repurchase agreements. Inflation-proof bonds were offered to service debts. Interest rate subsidies tempted money into T-notes and away from high interest-bearing deposit accounts.

These subsidies quickly rose from 4.28 percent in August to 8.79 percent in December and currently stand at 10.38 percent, offering inflation-beating earnings on investments and further draining funds from the increasingly volatile stock markets, whose indices had slid drastically to reach an all-time low on July 29.

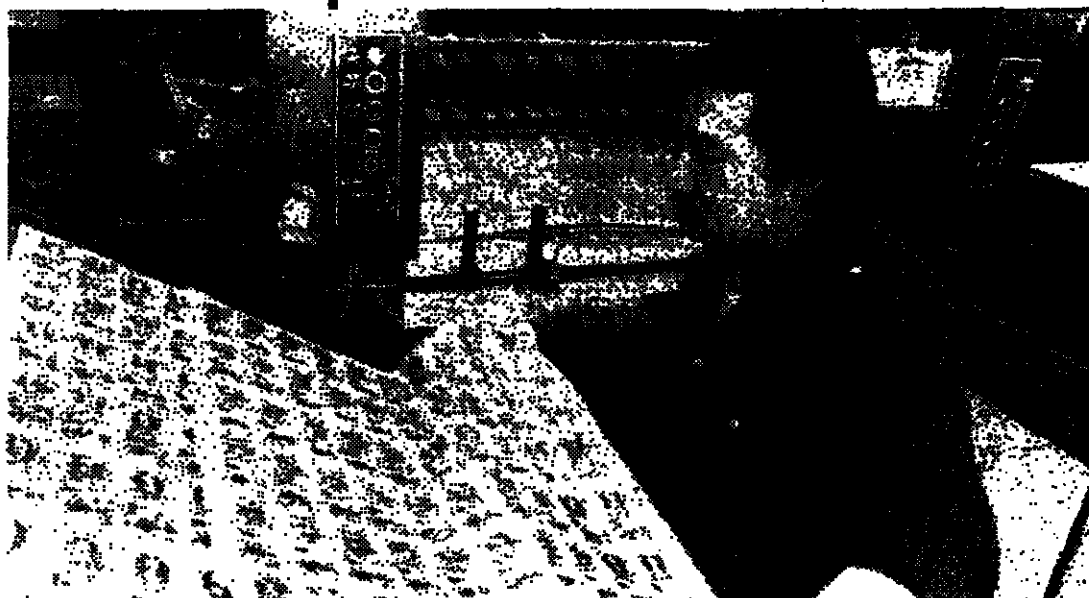
Stock market investor confidence was temporarily boosted at mid-year with announcements that no further

A-shares (for Chinese only) would be issued for the remainder of 1994, and that foreign joint venture funds could be allowed to invest in the A-share market. But enthusiasm drooped again after the banning of pension and unemployment insurance fund investment in the market, and the outlawing of same day sales.

All along the speculative



Investors and traders crowd into the Shanghai Stock Exchange, hoping to see a rise in prices. New money rolls off the presses (below), one way to solve some economic problems.



The stock prices on a wall newspaper merit close attention.

\$64.1 billion, dwarfing the exchange's stock turnover of \$14 million on the same day and triggering an investigation into rigging.

The investigation found one company guilty of fixing a trade. Limits have been placed on all bond trading, ensuring the record volume is never reached again. But investors are also not likely to return to stocks, seeing debt instruments as the most stable, with the highest return.

"This year has seen the tide turn towards bonds, and they are unlikely to relinquish their position," says one stock analyst. Both foreign and domestic investors,

investors had rightly decided that all local markets are too risky (it is not yet legal for foreigners to invest in Chinese treasury notes), and have placed their China money in investment funds with a partial China exposure, or have bought shares of Chinese companies listed on the Hong Kong exchange.

## Inflation rates

But many funds also took a turn for the worse last year, hit by worries about China's high inflation rates. "A lot of China funds that began in 1993 have done quite badly," says Francis Leung, managing director of Pere-

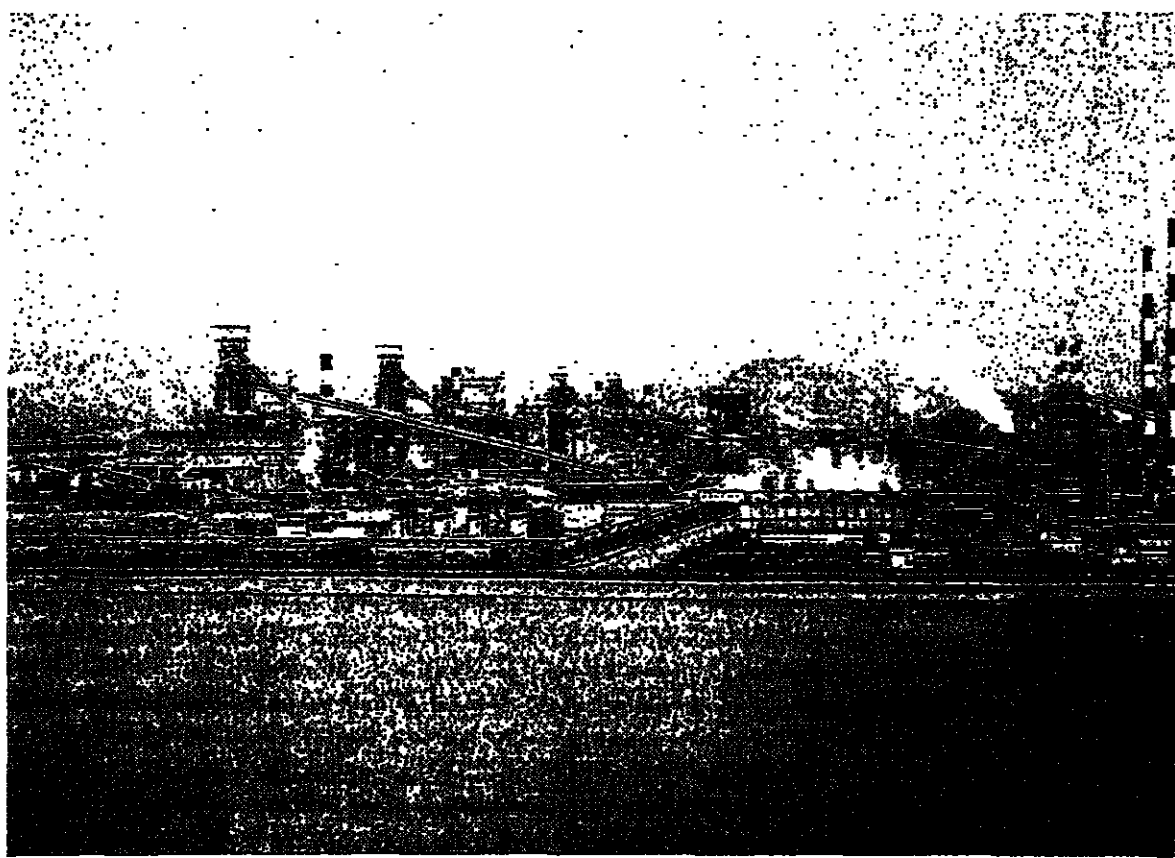
grine Investment Holdings Ltd., a major China direct investor. "I would advise most investors to invest in H-shares or other China-related instruments," he said, outlining the success Peregrine had in helping American Standard set up a \$83 million holding company for China.

Profitable strategy  
China's hard currency-denominated B-share market, like the China issues in Hong Kong, has lost 30 percent in the last year, followed closely by some poor-performing closed-end investment funds.

Direct investments in under-performing reform-minded enterprises remains the most profitable strategy for international financiers, despite the short-term lack of effective methods for obtaining hard currency returns.

For all of 1994's bad news, international underwriters in 1995 are still trying to bring Chinese companies overseas, where stock markets with stricter disclosure requirements and better legal frameworks await.

Meanwhile, China will continue to encourage some listings of H and B shares while second tier exchanges, such as the proposed Tianjin exchange, will try to woo new companies to market. N.D.

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RAPIDLY INCREASED FLOW OF INVESTMENT  
POSES SOME PROBLEMS FOR GOVERNMENT

Last year's inflow of \$34.1 billion was 31 percent up from 1993 and carries some inflation risks.

**A**lready flowing in at a respectable pace, foreign investment into China took a sharp turn upward in 1994 and kept rising, reaching unprecedented new heights. Foreign and Chinese analysts, while happy about the rush of funds, are also concerned that too much money could push the already high inflation rate even higher.

Last year's \$34.1 billion in foreign investment was 31 percent up from 1993, and is more than one-third of all foreign investment since 1978, when economic reform began. It appears that unless the government moves to stop the flow, foreign investors will not stop it either.

"The central government has been unable to control demand, as provincial leaders and businessmen basically ignored them," says Howard Pierce, president of ABB China Ltd. "Instead, the government is controlling supply by taking away provincial bank guarantees and making projects more risky for a foreign bank to finance."

## Welcome companies

The financial authorities welcome some types of overseas funds to join the existing 100,000 foreign-funded enterprises. Large multinationals and Fortune 500 companies are known to offer expertise, technology and prestige that make them a better bargain than smaller companies.

But the authorities have made it more difficult to enter, for instance, the energy market and the oversaturated market for electronic consumer products. They have slapped a 30 percent to 60 percent capital gains tax on real es-

tate to quell the speculative real estate boom.

"The main problem is that we do not know where all the money is coming from," says one Chinese economist.

\$12.2 billion deficit in 1993 to a \$5.3 billion surplus in 1994.

If the authorities continue to slow the rush of Chinese companies trying to list themselves on a local or overseas



Investing in China is in fashion, but not all styles of investment are welcome.

"Nor do we know whom the culprit for inflation is - overheated foreign investment or burgeoning trade surpluses. If it is trade, then we can restrict imports. But if we guess wrong, the economy will be sent down."

Up to \$50 billion in foreign currency raced in last year, economists estimate, and the trade surplus swung from a

stock exchange in order to raise capital, 1995 will prove to be a difficult year for investors.

"But many companies, including ourselves," says Francis Leung, president of Peregrine Investment Holdings, "are still positive about the long-term prospects."

N.D.

GUANXI - THAT'S THE CHINESE  
WORD FOR NETWORKING

The term *guanxi*, or connections, has been thrown about since the opening of China to investors in 1978. At that time, a go-between was essential to a project, and often using the front door brought it slamming in your face.

Now China has moved toward a market economy, and regular channels work much more efficiently. But there is still a niche for those with connections, and it is always easier finding out in-

formation through your friends than through the local bureaucrats.

A couple of viewpoints on *guanxi*-building:

"Our goal is to be the financial bridge between China and the rest of the world," says Francis Leung of Peregrine Investment Holdings. But he says the concept of *guanxi* has become overblown by consultants who describe themselves as "can-do *guanxi*-builders to top

leaders. "I probably spend 50 percent of my time in China, promoting our projects and meeting people," adds Mr. Leung. "We need to make connections and network, just like anybody else, but we do not make *guanxi* with high government leaders' children, for instance, because that is only of short-term use. We plan on being in China a long time."

Howard Pierce, of ABB

China, says the concept of *guanxi* exists all over the world, but there are unspoken rules. "China is the same as any other country - you have to do business with your customers, and you want to make sure you are in constant communication with them. Likewise, a contract in China is like that in any other country - something to fall back on when your personal relationship has broken down." N.D.

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## doing business with china

## AUTOMOBILE INDUSTRY MOVES AHEAD — OVER A BUMPY ROAD

The target for domestic factories is to produce 3 million vehicles a year by 2000.

**T**he Chinese automobile industry, once the poor cousin of Chinese heavy industries, is accelerating at breakneck speed, with 1994 sales estimated at 1.4 million vehicles. Economic reform has fueled a penchant among private owners and government officials alike to travel by road, and Cadillacs, Audis and Jaguars are replacing the Soviet-made Zils of yesteryear.

"In the '80s, everyone in China wanted to buy bicycles, televisions, washing machines," says Zhao Dadong, chief representative in Beijing of U.S.-based Automotive Resources Asia, an auto consulting company. "In the '90s everyone wants to buy a car."

To keep its domestic industry on course to meet this pent-up demand, China is targeting an annual output of 3 million vehicles by the year 2000. At the same time,

the government is trying to prevent the present decentralized production from spreading. In the last three years, small companies producing low-quality cars have sprung up all over China, trying to tap into potentially vast earnings.

To slow the growth, last year the government decreed that no new foreign auto ventures would be allowed until 1996. It also stipulated that all existing domestic ventures would be concentrated in three to four areas of the country, and encouraged larger manufacturers to buy their smaller counterparts. China's auto giant, First Automobile Group, responded quickly by buying Jinbei Automotive, a van maker whose joint venture partner is General Motors.

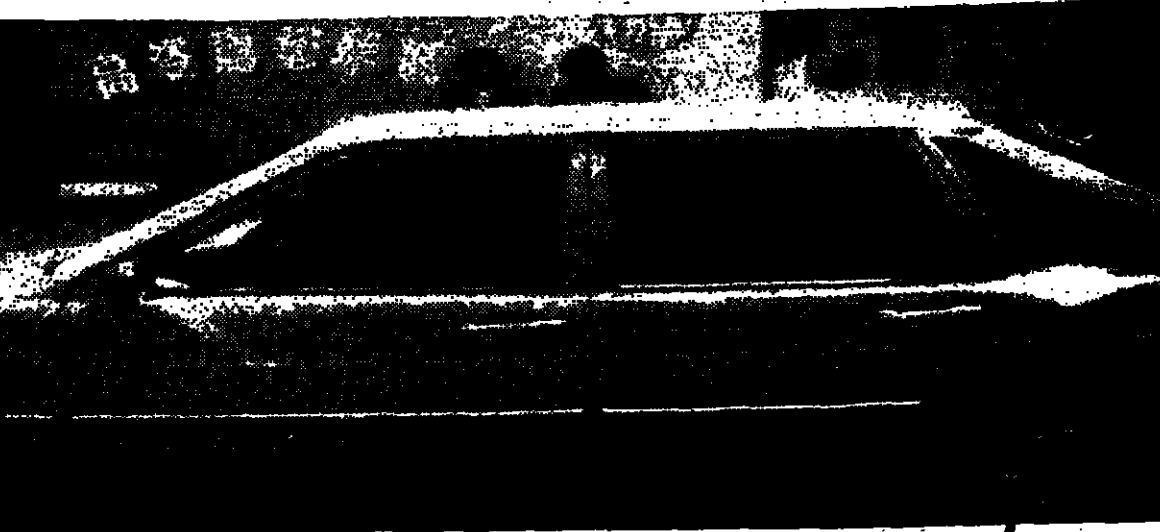
**Balancing act**  
Foreign manufacturers trying to expand their presence have a difficult balancing act — they must try to maintain quality while increasing pro-

duction. "Putting in the capacity to achieve volume is one thing," says Lauren Giglio, chief representative of Chrysler International China. "Putting in the capacity to achieve high-quality volume is something quite different." Chrysler owns a stake in Beijing Jeep Factory, a joint venture making the popular Cherokee model.

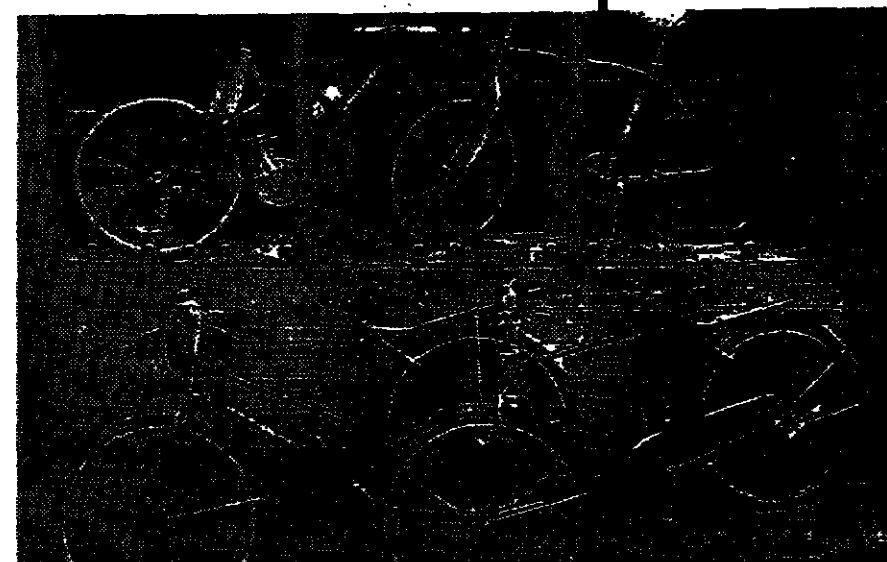
Like all other foreign ventures, Chrysler has been limited to 49 percent of a venture, a limit that is not likely to change soon.

Another headache is the high start-up costs. Chinese auto czars demand 40 percent local content in all their foreign ventures, and major components must be made locally. This rules out importing complete knock-down kits to be assembled in China. Manufacturers are concerned that this initial threshold forces costs to soar, especially for vehicles they are not sure will attract Chinese customers.

The Chinese themselves are only too aware that the motor industry is weak in component development,



A gleaming new German car waits in a Beijing showroom (above); the Third Ring Road is one of the highways being constructed to accommodate it (left); and Beijing bicycles will eventually replace it (below).



## IN BEIJING, 8,000 CARS VERSUS 8 MILLION CYCLES RESULTS IN CHAOS

Standing on a platform in the middle of the crossroads, the traffic warden smokes a cigarette and chats with a friend on a walkie-talkie. Those few minutes of inattention cause a major traffic jam. Cars and minivans are packed bumper to bumper. Where there is a little space, cyclists and pedestrians push their way through. The chaos lasts half an hour.

"There is little discipline on the roads here. Drivers will ignore traffic lights,

overtake on the inside and drive up highways the wrong way in order to get somewhere faster," says Mr. Zhao, a taxi driver in Beijing. "I need to concentrate fully every second of the day to dodge bad drivers and cyclists. I must say that nowadays my job is probably the most stressful in Beijing."

The number of cars on the road in Beijing has risen dramatically over the past few years and now totals around 800,000. Bicycles, the traditional mode

of transport, number 8 million in the capital and are involved in most traffic accidents in the city.

Infrastructure development has not kept pace with the changing face of traffic; there are few parking spaces and fuel stations, for example.

Beijing plans to build new roads this year in an attempt to create a system that will cater to drivers as well as cyclists.

J.L.

citing this as a reason to ban new foreign auto ventures until 1996. They believe that foreign help will improve output, technical expertise and quality in the components industry, and they have encouraged prospective carmakers like Honda to move into auto parts manufacturing.

The situation with the ban is now in a state of flux, with the central government now looking to extend the ban until 1998 and local governments, who stand to gain most from a vehicle plant in their locality, lobbying to ensure that it does not last beyond Jan. 1, 1996.

**Strong earnings**  
Chrysler's Beijing Jeep is the largest equity investment in China, and after some difficulties in the 1980s, it has produced strong earnings. Shanghai Volkswagen and the Daihatsu-licensed Tian-

jin Mini Vehicle Plant also chalked up high growth last year, despite the fact that growth of profits was down in nearly all of the country's 223 major auto plants.

Despite the restrictions, Chrysler, like all other automakers, sees the automobile industry as one of the country's biggest industrial growth areas.

"The government has obviously decided to put China

on four wheels instead of two," says one foreign producer.

Chrysler has plans on the drawing board to expand Beijing Jeep by adding passenger cars and a different edition of the Cherokee Jeep, but some hurdles remain. "The Chinese want to speed up all developments and, among other things, the infrastructure just is not there to cope with this," says

Mr. Giglio, also citing the Chinese partner's desire to have access to new technology.

Automobile analysts and carmakers agree that while the production opportunities are still good, manufacturers must rethink investment objectives in China to ensure that market share, quality and earnings can all be upheld into the 21st century.

Julie Lee

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## FOREIGN TELECOM COMPANIES RUSH TO HELP SPEND \$40 BILLION

'Leapfrogging' to an advanced digital communications system demands huge investment.

**P**eople bundled in thick coats cluster around a Beijing streetside booth. It is cold outside, and they are in a hurry to make their calls at one of the city's few public phones before they head home. Meanwhile, a well-dressed couple bustles by, the man intently speaking into his Nokia cellular phone. His Motorola beeper not only alerts him to his calls, but can also tell him the temperature and give him a rundown of the day's important news.

Scenes like this can be seen all over this vast country as it rushes to develop. The potential market for such products is luring huge foreign investments to China. Motorola and Nokia are just two of the telecom companies doing remarkable business with their high-tech products here — AT&T, Siemens, Northern Telecom, NEC and France's Alcatel all have substantial investments and are planning more. Indeed, many are hailing China as the most significant telecom market in the world.

Why all the excitement? China combines the fastest-growing economy in the world with an overburdened and underdeveloped infrastructure. A swelling middle class with money to spend wants everything from new cars to telephones — and needs roads and telecom systems to run them on. China has recognized the enormous shortfall between supply and burgeoning demand. Today only 2.5 people out of 100 have their own phones, but the government hopes to raise that number to 8 people per 100 by the end of the century.

**Serious market**  
China is not slapping together an old-fashioned analog phone system; the country is creating one of the most technologically advanced digital communications systems in the world. "Leapfrogging" is the expression people in the industry use when describing China's planned jump to an advanced telecom system. This will require it to install 100 million digital switching systems by the year 2000 and spend over \$40 billion in the telecom sector. It is no wonder those foreign companies are excited.

AT&T, which recently joined Chinese companies in creating joint ventures in southwestern Chengdu and coastal Qingdao to help satisfy this switching demand, is taking the China

market seriously. It intends to spend more than \$150 million over the next two years and to double its present China work force of 1,000. Projects will range from the establishment of one of its high-tech Bell Labs in either Beijing or Shanghai to the creation of an "information superhighway" — an ultra-high-speed digital system that can transmit voice, image, data and video services — linking Hong Kong and Guangdong Province.

"China has seen that the advancement of telecommunications is a way to generate economic development," says H.T. Kung, public relations director for AT&T China. This realization is driving China's ambitious plans for its telecom sector and is encouraging reform. "There is a trend across the re-

(Unicom), to challenge the Ministry of Post and Telecommunications. Established in July 1994, it has recently announced that it hopes to provide 10 percent of China's long-distance calls and 30 percent of its mobile telecommunications by the turn of the century. With those goals, Unicom is positioning itself to take advantage of two of the highest growth areas.

"It was something of a surprise to discover China was such an enormous market," says Jill Zhou, corporate public relations manager of Motorola-China. When the company first came here in 1984 and later established its first plant in Tianjin in 1992, Motorola assumed that it would ship much of its China production to overseas markets. Instead, the factory has seen its sales



In China, only 2.5 people out of 100 own phones; the government intends to raise that to 8 per 100 by the end of the century.

gion toward competition for investment, and that eventually opens markets," Mr. Kung says.

As that happens, AT&T is ready to step in. "A comparison between the U.S. and China markets is valid," says Mr. Kung. Technological expertise, ability with long-distance services, and experience in operating a nationwide network all make AT&T an attractive company to China.

**More competition**  
Reform in China has so far meant the creation of a new company, China United Telecommunications Corp.

for 1994 increase threefold over 1993. Today there are about 10 million pager users and 1.2 million cellular phone owners in the country. People with pagers are expected to number 30 million and cellular phone users 10 million by the turn of the century.

Investment is expected to keep pouring in as foreign companies remain bullish on China's continued growth in telecommunications. Mr. Kung of AT&T explains China's demand: "If people have difficulty in communicating, how can they do business? It's pretty basic."

Dexter T. Roberts



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## Can you energize a whole generation?

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China begins to release its vast industrial potential and ABB, as a world leader in electrical engineering, is already there, working with local partners to strengthen the infrastructure and update industrial processes. The Shidongkou power plant in Shanghai uses ABB's advanced super-heated steam technology

to conserve 90,000 tons of coal each year. Two new ABB gas-fired power plants operational in Guangdong province are the highest-rated combined cycle facilities in China. ABB provides the systems technology and equipment which distribute electricity more efficiently, too, and make Chinese industry more productive. Bulk power is transmitted by ABB's advanced HVDC technology between Gezhouba and Shanghai. ABB control systems, electrical equipment and drives operate new aluminum and steel cold rolling mills in Fujian and Sichuan. Process control systems for modern sewage treatment plants in Shanghai. Forty ABB mine hoists already operating will soon be joined by others in Anhui and Hailongjiang provinces and an ABB Master control system to operate an open cut mine in Inner Mongolia. On Chinese railways, travelers enjoy the comfort and convenience of ABB's International Coach, a simple, flexible railway car designed for low-cost local assembly, while in the south-east region, ABB is installing a complete train protection system to automatically control speed on 300 km of track. In China and throughout the world, ABB is creating flexible, efficient local solutions to help clients respond more quickly and precisely to technological challenges. Like bringing the world's largest market up to speed without draining its energy resources.

**ABB is an official sponsor of the 1995 China Summit meeting in Beijing April 10-12 1995.**

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**ABB**



## doing business with china

## FOREIGN BANKS HOPE TO BE ALLOWED TO TAKE A BIGGER PART IN BUSINESS LIFE

Real competition will come when they are granted the right to conduct local currency business.

A world-renowned Canadian tightrope walker has announced that he and three Chinese rivals will soon attempt the first ever highwire walk over the Yangtze River. In 1995, China's banking system finds itself doing a similar balancing act, trying to push through difficult reforms, hindered by the turbulent winds of double-digit inflation but encouraged by the enticing prize of record amounts of personal savings.

The \$235 billion in individual bank deposits in 1994, an all-time high and 101 times more in local currency terms than the \$2.5 billion saved in 1978, was a welcome sign after 1993's low reserves. But the applause was muted by a rise in bank loans that came despite central government orders to cap them. Loans to industry increased 37 percent in the year ending last October, despite central government restrictions. One unlikely culprit was too much foreign exchange pouring in.

For foreign bankers, the rapidly changing Chinese banking world was like window shopping — they could look and advise, but they could not really participate. One welcome sign now is that the Chinese government looks set to fulfill a long-standing request by allowing more foreign banks to operate branches in Beijing and other cities.

The next and most exciting overseas-oriented modification, allowing foreign banks to conduct local currency business, is farther off, and right now just a pipe dream, according to one foreign banker in Beijing. Without that change, foreigners will never be able to match domestic banks' ability to reach Chinese customers, but even when it does happen it will be fraught with restrictions.

#### Profit centers

"Allowing foreign banks to handle renminbi (local currency) business will contribute to the long-term development and expansion of China's financial market," says Min-Hwa Hu Kupfer, country manager and chief representative of First National Bank of Chicago, the first U.S. bank to open

a representative office in China. And, as Mr. Kupfer and almost all foreign bankers in Beijing can attest, the relaxation should help foreign banks turn their present money-losing operations into profit centers.

While many still complain of the Chinese system's inefficiencies, reforms are taking place all the time, like the addition of thousands of newly trained accountants to update records in Chinese banks and ensure that accounts are kept to Western standards.

"Certainly they are moving in the right direction, but bank staff remain badly trained and not oriented to credit risk," says Francis Leung, managing director of Peregrine Investments Holdings Ltd. Although comprehensive banking reform has not come about as quickly as other market reforms, the Chinese government has started to bring the banking sector more in line with the country's increasingly free market economy.

In 1994 the government split its state-owned banking bureaucracy in half, creating three policy banks for targeted state lending — the State Development Bank, Import and Export Bank and the Agricultural Development Bank, whose seed money comes partly from overseas treasury bill issues.

The transformation will free the People's Bank of China, the national central bank, to concentrate on fiscal and economic policy, and regulate the burgeoning money supply, while leaving the existing five banks to metamorphose into purely commercial entities.

#### Soft loans

The "big five," consisting of the Bank of China, Construction Bank, Agriculture Bank, Transportation Bank and the Bank of Industry and Commerce, find themselves in principle able to compete freely for the first time since their conception. In practice, while they are free from some government restrictions, the big five banks are still required to make "soft loans" to state-owned industry that more often than not become grants.

Despite the desire of most government leaders to remove "aid" from the banking vocabulary — more than 30 percent of all mainland bank loans are

classified as non-performing — a discontinuation of this role could result in mass employee layoffs, with potential repercussions for social stability.

So-called fast-track reformists hope the introduction of foreign banks will generate a flow of modern management methods, while Ministry of Finance and People's Bank of China technocrats believe the introduction of foreign bank branches will inspire an element of controlled competition, thereby encouraging domestic banks to move forward.

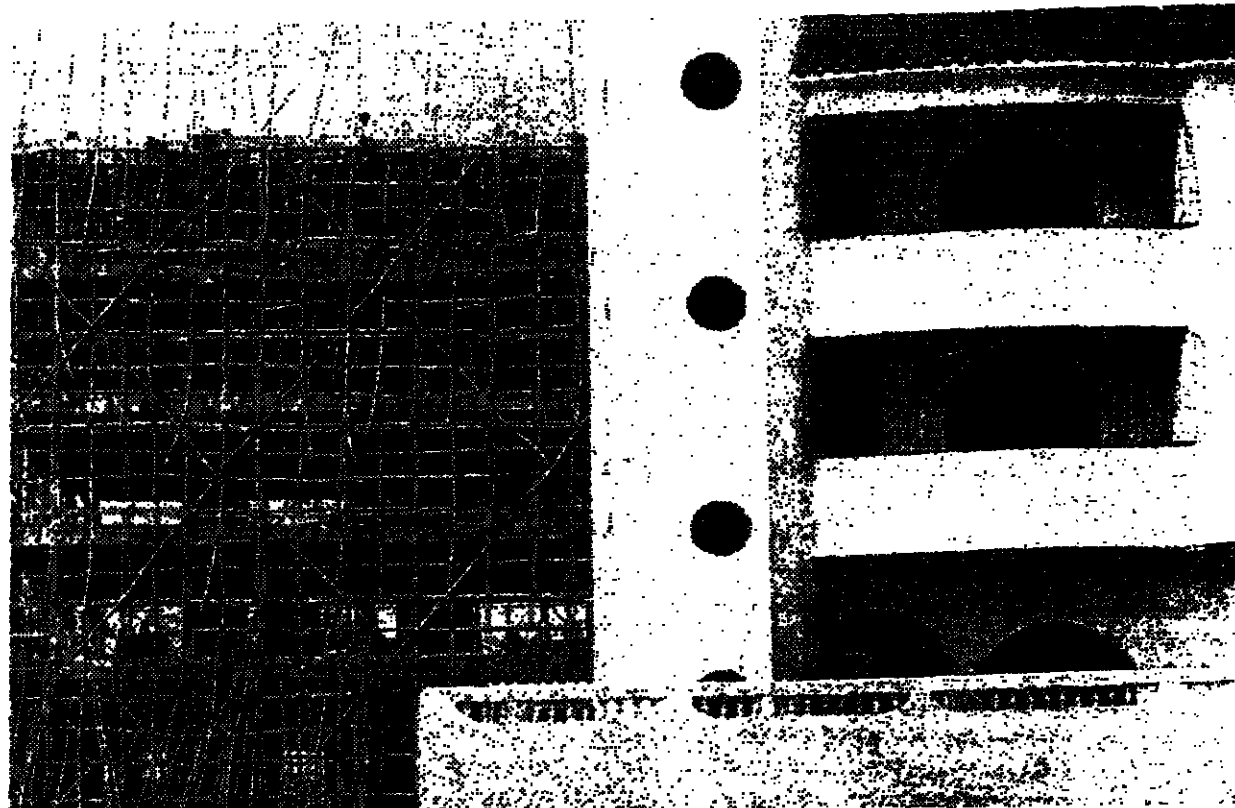
"Go-slow" reformists, on the one hand, know that restricting foreign bank branches to foreign currency essentially eliminates the business potential for these banks. On the other hand, market and regulatory systems are not yet in place to exercise full control over foreign banks if the restrictions were lifted. Both sides realize that once unleashed, profit-driven foreign banks could upset the five fledgling state-owned banks and stunt their growth.

#### Delicate balance

As anyone based in China can attest, the dilemma is proving a difficult one. Foreign bankers find themselves in the same Catch-22 situation as the Chinese government, rooting at once for substantive reforms so that they can start local currency business, while at the same time calling for caution to avoid upsetting a delicate equilibrium.

They applaud the central government's decision in the 1980s to begin allowing foreign bank branches in coastal cities — 13 cities, including Shanghai and Shenzhen in the south, now have fully operating branches.

With China's 9 percent average growth over the last decade, bankers' mouths are watering at the thought of financing some of the growth. Major banks from around the world scramble for office space and jockey for position to open commercial branches in what some day could be the world's most lucrative financial market. Up to now, however, while banks have made some money on letters of credit and making foreign currency loans, the competition and the restrictions have thinned profit margins to almost nothing. J.L.



Condominiums go up in a special economic zone designed to encourage foreign investment, and (right) hamburgers are sold in a Beijing street.



## NEW LAWS DISCOURAGE SPECULATORS BUT COULD HELP REAL INVESTORS

Three years of property market growth have ended with the threat of a glut of commercial and office space.

The honeymoon between China and real estate developers is over. Next, perhaps, will come long-lasting harmony. In the meantime, developers, renters and property buyers alike must wait for the dust to settle in the wake of new laws and uneven growth.

Three years of vigorous investment and robust growth in the China property market ended in 1994, replaced by the threat of a glut of commercial and office space, uncertainty about the property gains tax and doubts over potential risks in property development.

Foreign investors are slowing down their expansion plans. Hong Kong-based New World Development Co., one of the largest and most exposed, has led the slowdown, acting to cut losses this year caused by 1994's government-imposed credit squeeze and diminishing returns on investment opportunities.

New World has invested heavily in real estate and infrastructure projects in China over the past few years, with more than 30 major development projects under way.

"1994 was a bad year for real estate, and it will continue to be slow as investors stay away and government restrictions keep them out," says Francis Leung, managing director of Peregrine Investment Holdings Ltd.

#### Accurate details

Last month, the central government spoke to investors' concerns about the speculation-busting property gains

tax, saying capital gains will apply only on property sold after January 1, 1994. Another positive sign is the Urban Real Estate Man-

agement Law, introduced at the beginning of the year to facilitate investment in the property market. The law forces sellers to use open tenders or auctions to sell land-use rights to government land. In the property market of yesteryear, accurate details and conditions of sale were difficult to obtain by either speculators or analysts.

"Sale of land-use rights will necessitate accurate details of sites, site prices and the public announcement of tenders results," says Dyfed Evans, Beijing representative of property consultants Brooke Hillier Parker. "This will lead to greater market transparency and more accurate market analysis — thus making speculation profitless, leaving more choice in the market for serious investors committed to long-term property development in China."

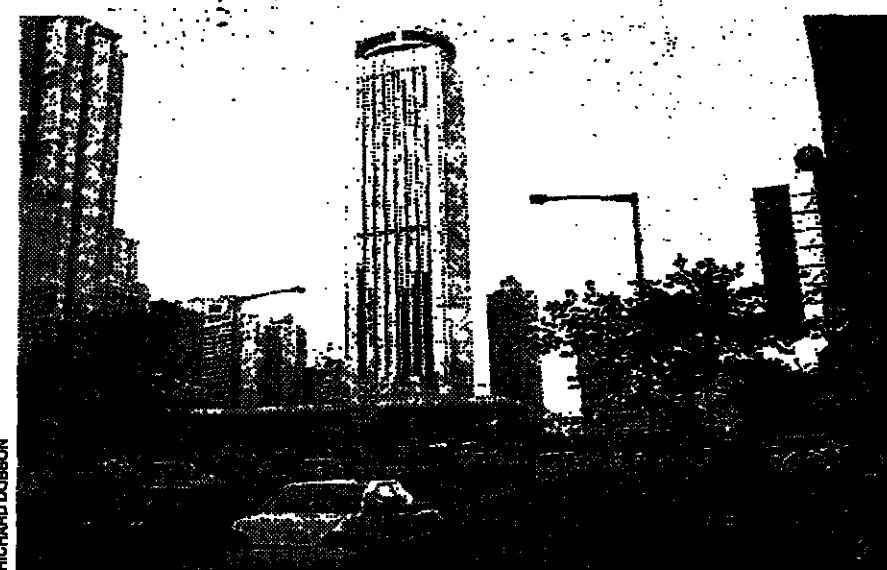
#### Double trouble

Many foreign investors, however, doubt that China's legal apparatus is able to guarantee full and fair implementation of the law, and worry they will be hurt by the same forces that hit two highly publicized cases.

In the first dispute, fast food giant McDonald's has agreed to vacate its flagship store in downtown Beijing after finding it had neglected to read the fine print in a contract. McDonald's will make way for an equally dis-

puted luxury development, to be built by Hong Kong tycoon Li Ka-shing. But in a novel twist, the central government has now

halted construction of the luxury plaza, to be called the Oriental, saying Mr. Li contravened city regulations limiting structures in the downtown area to a height of 30 meters. Property development sources claim the tiff involves more than height, and is in fact a variation on the age-old friction between government regulators and developers. Property analysts say the lessons from these cases are to use caution and get a strict reading of the laws before jumping into the market, but they add that the new laws should help keep swindlers and speculators out and lower prices. J.L.



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## SOME LEGAL CHANGES TO BE NOTED

**INDUSTRIAL PROPERTY**  
Sino-U.S. agreement on the protection of intellectual property rights. Added to existing Chinese laws, this accord will protect U.S. and other foreign manufacturers of software and audio-video products. Losses are now estimated at up to \$1 billion. Nine other laws and regulations on patent and copyright protection have been promulgated since last year.

**BANKING AND SERVICES**  
Banks will soon be allowed to open branches in nine cities, adding to the present 13 cities. Some banks are already using local currency for re-

stricted activities in Shanghai and Guangzhou. Service industries such as banking, insurance, product distribution and accountancy will soon be more open to foreign investment.

**JOINT VENTURE ENTERPRISES**  
Company Law and Company Registration regulations widen the scope for foreign enterprises to establish branches.

**INVESTMENT**  
China is considering a law to protect national industries by limiting foreign stakes in Chinese enterprises to 70 percent, and to supplement existing laws on infrastruc-

ture projects and auto assembly plants, which dictate that a foreign investor may hold no more than 49 percent stake. Holding company minimum investment will soon be raised from \$10 million to \$30 million, while actual capital must be re-invested within one year of contracting. Special economic zones' tax breaks have been for the most part eliminated, to be replaced by deductions and breaks for setting up in certain industries.

**CUSTOMS AND IMMIGRATION**  
Regulations about tax on personal effects mean that all computers, VCRs, TVs

and stereos face a tax, regardless of whether they are to be used for office or at home.

**ADVERTISING**  
The Advertising Law governs the establishment of joint ventures in the advertising field, outlawing comparative advertising and tobacco ads. At least \$300,000 must be invested as registered capital.

**REAL ESTATE**  
Urban Real Estate Law governs capital gains tax (now between 30-60 percent) and demands a mandatory public announcement of tenders. N.D.

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INTERNATIONAL HERALD TRIBUNE, MONDAY, MARCH 13, 1995

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## doing business with china

TENSIONS WITH THE U.S.  
ALSO OFFER OPPORTUNITIES

Behind the copyright row lies the question of China's place in the business world.

**T**he Chinese symbol for "crisis" is a combination of the symbols for "danger" and "opportunity." The recent trade crisis between the United States and China is a perfect example of the definition.

Such squabbles present danger not only to East-West relations, but also to the broad future of international trade. At the same time, trade tensions present an opportunity for China and the United States to set a framework for peace and prosperity into the 21st century.

The recent trade problems go considerably deeper than the surface issue of how China's intellectual property infringements are ripping off profits from Microsoft or Ford or Disney. Indeed, the disputes go to the heart of the big questions for world leaders on the cusp of the Information Age: the respective rights and responsibilities of developed and developing nations; free markets versus protectionism; human rights versus profit-making; democracy and free markets versus political expediency.

The recent trade crisis demonstrated miscalculations by both the United States and China. The United States underestimated China's determination to stifle dissent, limit foreign cultural influences and prop up the current government through economic growth in spite of the risks.

China, meanwhile, overestimated the U.S. desire to gain access to Chinese markets and invest in Chinese

industry. It turns out that the Clinton administration is not willing to ignore an artificially inspired trade deficit, human rights issues or Chinese missile sales to Iran.

Nor is American business willing to turn a blind eye to blatant copyright and technology thefts or other protectionist policies like an overvalued yuan, the dumping of Chinese products on foreign markets and laws against foreign ownership in certain industries such as telecommunications.

## Future rival for Japan

While American industry and the American government are certainly concerned about the immediate losses from Chinese pirating of

rising economic powers in Asia will conform to global standards of free and fair trade if China does not?

To put it bluntly, the rest of the world cannot afford to have China act as an economic outlaw, or for the United States to enter into an economic cold war with China in much the same way it maintained a political cold war with the Soviet Union for more than 40 years after World War II.

Along with the miscalculations has come mistrust. To the Americans, it has become difficult to trust the Chinese. The Clinton administration last year restored most favored nation trading status for China, trusting in a continued im-

sue between the two countries, China promised to do better. A series of laws was passed to prohibit pirating and counterfeiting, but it was window dressing, according to the Americans: the laws have not been stringently enforced, and U.S. companies continue to lose millions every day on bogus China-made copies of Windows software, "Lion King" videos and Barbra Streisand compact disks.

At the same time, China does not trust the United States. In particular, there is a fear that American industry will exploit China's labor and natural resources, and will end up with management control of new industry, so that Americans rather than Chinese reap the standard-of-living benefits.

Furthermore, China mistrusts the power of American culture and fears that CNN, phone lines, fax machines and modems will lead to a sort of Americanization that undermines traditional Chinese values — and Chinese leaders.

To the Chinese, the American demands are unreasonable for a "developing" country without the legal,



Foreign influence: Outside a Beijing cinema (top right), the lettering on the posters is Chinese, but the film is Western. In the street (below right), a television crew interviews a housewife about the merits of a soap powder.



Shopping for brand-name sportswear in Beijing.

music, videos, computer programs and even automobiles. There are larger questions. When will China, which now boasts the world's third-largest economy and is set to surpass Japan sometime early in the next century and rival the United States within three decades, be able to take its place at the table of nations? How can the rest of the world expect that Korea, Singapore, the Philippines, Vietnam, Thailand and other

provement in human rights. But Mr. Clinton's policy of "constructive engagement" has backfired, as evidenced by a new State Department report saying China's record on human rights has become worse, not better, since it was de-linked from trade issues.

## Mutual mistrust

Similarly, two years ago, when the United States first made copyright infringement and pirating a key is-

## Membership requirements

One of the most important steps for China to take would be to become a member of the World Trade Organization, the successor to GATT. Membership in the WTO would drop tariffs on Chinese clothing and shoes to a mere 25 percent from today's 23 percent on exports to Europe and 49 percent on exports to Australia. The World Bank says WTO

membership would boost Chinese exports by one-third.

But so far, the Chinese obviously are not sure the WTO, with its lower tariffs and increased exports, would be worth the requirements for membership, including conformity to international standards regarding copyrights, import tariffs,

exchange rates and farm subsidies.

The biggest drawback, for the Chinese leaders who are now positioning themselves for the succession of ailing leader Deng Xiaoping, is that subjecting subsidized state-run industries to the rigors of open competition would result in unemployment and social unrest.

Moreover, they need to be seen as not giving in to the United States.

Unless and until China has a leadership that sees democracy and free-market competition as an opportunity rather than a danger, there is always a danger of a new crisis in trade relations with the United States.

Timothy Harper

MORE LEISURE — AND MORE MONEY —  
INCREASES DEMAND FOR ENTERTAINMENT

The emergent middle class is looking for restaurants, nightclubs, sporting events and television choice.

**A**fter decades of drab living, when entertainment meant reciting the sayings of Chairman Mao before another early night at home, the Chinese are finally learning to have fun — and they are fast learners. Mao has been replaced by mascara. Streets once deserted at sundown are now teeming with night prowlers seeking new dance clubs, bars or karaoke joints.

In a country where roughly half the population is under 35 and urban incomes are on the rise despite double-digit inflation, the potential for entertainment is endless.

Eager to keep the population happy, the government is encouraging foreign investment in the entertainment sector, with some exceptions where political considerations still take precedence. In the same vein, the government last year decided to shorten the work week for civil servants and the staff of state-owned enterprises, giving them a full weekend off every other week. With more leisure time on their hands, the Chinese are naturally looking for new ways to use it.

More than a decade of reform in China has produced not only exponential growth, but also an emergent middle class and China's equivalent of a "Generation X." One of the first things this new segment of the population wants to do, like the middle class anywhere, is enjoy its leisure time, be it at home with a personal karaoke machine or out at new clubs like the Hard Rock Cafe.

## Man-made snow run

Chinese households now spend about one-fifth of their discretionary income on recreational activities, according to some estimates. Choices of where to spend the cash are growing: horse racing, mah-jongg, amusement parks, bowling, dude ranches, multistory dance clubs, golf courses, video clubs, restaurants ranging from Brazilian to Vietnamese, electronic video games, saunas and massage parlors, classical and rock music concerts, sporting events — and the list goes on and on.

The latest daytime fad in Beijing is sledding on man-made snow. Who cares that the slope, built on the outskirts of the city with money from South Korea, has only a 12 meter vertical drop. It is new, cheap and fun.

But just as the list of where to play in China stretches on, so does the list of entertainment outlets China does not yet have: a Disney-status amusement

park, state-of-the-art movie houses, live music clubs, coffee houses and comprehensive entertainment guides, to name a few.

For foreign investors, this is exciting

of programming, ranging from MTV to ESPN, and plans are afoot in several cities to experiment with interactive television.

Members of the new urban elite are



A new leisure activity: white-water rafting on the Yellow River.

territory, and many U.S. entertainment companies are exploring avenues for distributing their products. But signing a distribution deal is not the end of the road.

## Gap in marketing

"The one glaring example of what's lacking in this industry is professional entertainment marketing," says Kenny Bloom, director of Dragon Entertainment, one of the first Western entertainment companies in China. "Foreign companies are coming and trying to set up distribution deals, but no one is thinking about marketing."

More stress should also be put on local production, adds Mr. Bloom, whose company deals mainly in television, film and music.

"China doesn't have a large market for a foreign repertoire," he says. "What many foreign entertainment companies have not realized is that the future for them in China is not distributing their own catalogue but producing their own local repertoire in Mandarin, no matter what the medium."

Traditional forms of entertainment like television and film are branching out to meet the space age. There are now an estimated 30 million cable television viewers, receiving a wide range

not keeping up with the Wangs if they do not have a videocassette recorder. Beijing recently allowed Warner Bros. to distribute the U.S.-made film "The Fugitive" across China under a box-office sharing deal, the first of its kind since 1949.

## Government approval

The entertainment industry is ruled by various government agencies, such as the Ministry of Culture and the Ministry of Radio, Film and Television, and approvals for a project are often required from more than one, leading to complaints of bureaucratic red tape. The government also continues to ban foreign equity investment in such areas as publishing and film and television studios, still considered to be propaganda tools.

Deals can still be worked out, however, as Elle magazine has proved with the publication of a mainland edition.

Even once taboo areas of entertainment, such as gambling, are now being discreetly sanctioned. Gambling is still officially banned, but in the case of horse racing, punters are allowed to participate in an "intelligence contest," in which they put money on the horses they think will win.

William Brent

## A WEEKEND OF FUN IN BEIJING

Do you still think of China as a place devoid of entertainment? Consider what a weekend in Beijing might include in the way of fun.

Friday night kicks off with a small jazz concert at a cozy Chinese-style teahouse run by a local bookstore. After sitting for a couple of hours, you will probably

want to visit one of the many cavernous dance clubs, such as NASA, J.J.'s or the Poacher's Inn, for a bit of shaking and grooving, topped off with a bite to eat at one of several open-air night markets.

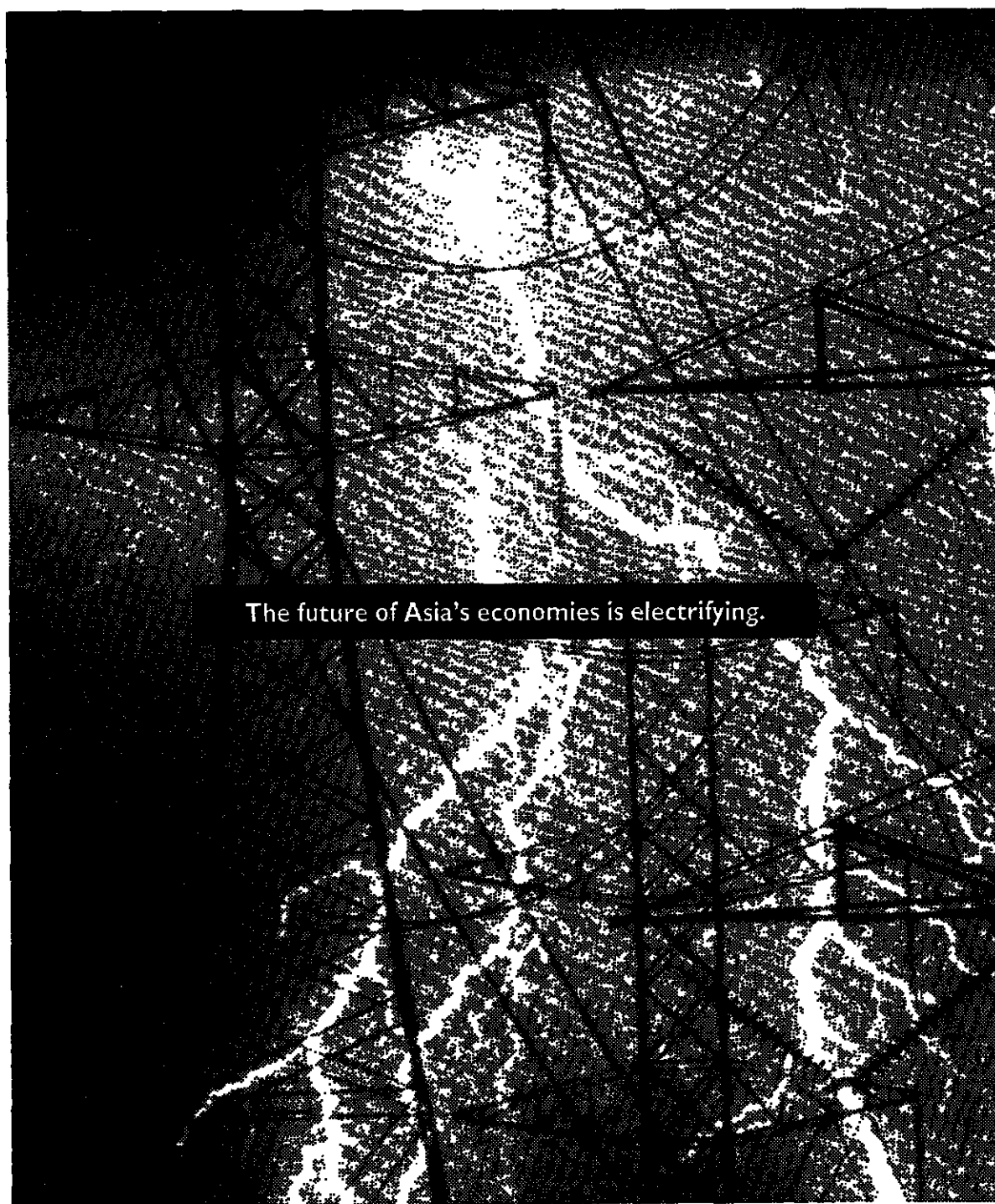
Begin Saturday with a trip to the local ski resort, a small bump of a hill opened

last year that has attracted hundreds of thousands already. Or visit World Park, where you can see miniature replicas of international landmarks like the Eiffel Tower.

Have a snack at McDonald's before settling in to watch a movie rented at the video club.

If you are up early enough on Sunday, you can catch the weekend antique market in the south of the capital. After a rest in the afternoon, you will be ready for a rock concert. The most recent one featured Roxette from Sweden. Then it's back to work.

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## doing business with china

## INVESTMENT IS NEEDED TO PURCHASE 1,200 AIRCRAFT BY THE YEAR 2010

Aviation leads the way in pulling an aging transport system out of the horse and cart era.

China is famous for its paradoxical systems of transportation. Where else can one find steam engines and jumbo jets meeting the country's transport needs, and horse carts and Mercedes in the same traffic jam? Since Deng Xiaoping's 1978 rise to power, China's economy has grown at an annual rate of 9 percent.

Analysts say auto and truck transport jumped last year, more than offsetting an official drop in transportation volume. Freight volume totaled 2.716 billion tons, down 3.2 percent from the previous year, while passen-

ger transportation on boats, trains and planes declined 2 percent.

Despite this aggregate drop, more freight and passengers went by air last year. Air freight soared 18.3 percent, to \$21,000 tons, while 40.27 million people took to the skies, up 19 percent—less than the previous three years' 30 percent growth, but enough to make China's aviation market the fastest growing in the world. Planned official purchases of a whopping 1,200 aircraft by 2010, worth \$89.7 billion, are certain to further open the doors for investment in the aviation infrastructure market.

When China deregulated

its aviation industry in 1988 and economic reforms gathered pace, aircraft manufacturers like Boeing, Airbus and McDonnell-Douglas rushed to sell their aircraft to the mainland carriers that had sprung up. Boeing, which has since grabbed the lion's share of the business, delivered 14 percent of its production to the mainland in 1993, or 46 planes.

## Changing market

Until last year, the bulk of foreign investment was focused around aircraft sales. The market has changed. A purchasing slowdown after a fatal crash last June was implemented by the Civil Aviation Administration of Chi-

na, the powerful regulatory agency that gives final approval to aircraft orders. The growth of China's turbocharged airline industry had outpaced the ability of the nation's aviation establishment to manage it, analysts found, saying the safe expansion was being compromised by an inadequate infrastructure and a shortage of qualified and experienced ground staff and crew.

CAAC's decision forced aerospace companies to switch tacks and work on strengthening China's aviation infrastructure, which in 1995 should lead to an upturn in aircraft purchases. The overriding philosophy is foundation building. Com-

menting on the growth of China's airlines, Boeing President Ron Woodard said: "It is clear that with the rapid growth of the Chinese carriers, additional support by Boeing would help Chi-

na's airline industry grow safely and profitably."

Investment environment According to official Chinese sources, China will need at least 800 airplanes,



Beijing's crowded subway and railway waiting rooms—two of the problems that transport expansion will overcome.



and possibly as many as 1,200, during the next 15 years to meet increasing demand. By the year 2000, China's annual traffic is projected to reach 12 to 15 billion ton-kilometers, up from 3.2 billion in 1991 and 4.3 billion in 1992, thus providing a healthy environment for foreign investment.

Despite last year's purchasing slowdown, Boeing has maintained a long-term approach and expanded its 20-year love affair with the Chinese transport market. In August, Mike Zimmerman was appointed president of Boeing China, Inc., a sign of firm commitment by the Seattle-based aircraft manufacturer.

At the same time, Boeing announced a \$100 million infrastructure investment in China, transferring the construction of tail sections for its 737 jets to plants owned by its Chinese partner, Xian Aircraft Co. Included in the package were two company-owned CAE 737 flight sim-

ulators for the Civil Aviation Flying College.

Boeing is also providing assistance in renovating air traffic control systems, as well as accident investigation training and improved safety data collection and analysis.

The task of upgrading China's largely antiquated air traffic control system is complicated by the fact that much of the country's airspace is controlled by the military.

In the future, China is expected to become the world's third-largest aircraft market as it imports an estimated \$45 billion in passenger planes to meet its needs. But the present budget deficit, combined with the burgeoning aviation goods deficit, is causing the Chinese government to look for creative solutions, such as more foreign joint ventures, in order to ensure sufficient growth of its domestic industry.

Alexander Graf

# The most important business meeting organized in China.

The 1995 China Summit • April 10-12, Beijing

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## AGENDA 21 ACTS TO CLEAN CHINA

CONTINUED FROM PAGE 15

tal projects in China is the largest in the world," said the bank's vice-president, Ismail Serageldin, last month.

Framework of projects In the early 1990s, the government awakened to its severe environmental problems after years of warnings, vowing to spend a larger percentage of its present GDP on pollution. The upshot was Agenda 21, one of the most ambitious cleanup programs ever undertaken.

Deng Nan, daughter of senior leader Deng Xiaoping, is spearheading the Agenda 21, a framework of 500 projects focusing on such badly needed projects as installing scrubbers in dirty factories, making energy plants safer and improving noisy and dirty public transportation. So far, a handful of foreign companies have signed up to assist the drive, launched last year, but the goal is to absorb almost half of the \$40 billion requested from abroad.

Less ambitious projects, but just as hard to enforce, include a tax on polluting industries proposed by the National Environmental Protection Agency. "Harsher economic punishment would help guarantee adherence to environmental laws and regulations," NEPA chief Xie Zhenhua told an environmental protection conference.

The measures are certainly necessary. Inefficient and aging state-run factories, many of them built by the Russians in the 1950s, belch so much unfiltered smoke

into the air that at times whole cities can disappear from satellite photographs of earth, while 50 percent of the country's rivers are contaminated.

Threat to all Asia Exacerbating the problem is the use of high-sulphur coal for almost all heating and cooking, leading to the spreading of acid rain to 29 percent of the nation's territory. If the problem is not slowed, the Middle Kingdom will become the world's largest emitter of CO<sub>2</sub> and greenhouse gases sometime during the second decade of the next century, posing hazards across the Asian region.

While environmental experts say the central government has made enormous headway over the last few decades in tree-planting and other anti-erosion techniques, they warn that those measures are not enough. Besides NEPA enforcement and greater government and domestic enterprise commitment, they say, the key is foreign investment.

Eager foreign environmental companies like those specializing in waste treatment plants and equipment and solar power have flocked to China, both to attend conferences and to market their products, but there is still plenty of room.

State estimates foresee a \$20 billion investment for the five-year period ending next year, double the amount during the previous five-year period. Fully 2,000 Chinese companies now produce environmental equipment. N.D.

## TRAVELERS' CHECKS RECEIVE A CHECK

One unexpected side effect of the foreign exchange restrictions was the decline in the travelers' check market. The volume of travelers' checks dropped 25 percent to about \$250 million after the government prohibited Chinese companies from retaining some of their foreign exchange. Instead, all foreign exchange had to be converted at the bank to local currency, leading immediately to a sharp downturn in business trips abroad.

But American Express says this affected only a minor portion of their China-related turnover. L.J. Jia, vice president for American

Express China, says the majority of clients are foreigners purchasing checks to travel to China, and not the other way round.

"Travelers' checks are only part of the business and always do fairly well," he says. Because of China's constantly rising incoming tourist numbers over the 14 years since American Express opened its doors here, business has steadily grown. "Over the last few years, there has been an average growth of 30 percent annually," Mr. Jia says. "Furthermore, we retain 50 percent of market share in terms of charge volume." N.D.

APR 12 1995



## Arizona Suspends Star Stoudamire

Stoudamire, a point guard, helped take Arizona to the semifinals of last year's NCAA tournament. The Wildcats were expected to receive a high seeding, possibly a No. 2 or No. 3, in this year's tournament pairings to be announced Sunday.

# No. 3 Kentucky Overcomes Arkansas to Win SEC Crown

The second-seeded Wildcats (25-7) won their fourth title game appearance and it

## COLLEGE HIGHLIGHTS

Cuonzo Martin scored 17 points and Matt Waddell added 14 as Purdue (24-6, 15-3) won its eighth straight game, its 14th victory in the past 15 games, and finished one game ahead of No. 9 Michigan State.

Iowa State 80, No. 2 Kansas: Hurl Beechum hit two 3-pointers in overtime and finished with 25 points to lead Iowa State's

1:17 remaining for an 86-83 lead. Jerry Stackhouse, a 40-percent shooter from 3-point range, sank a 3-pointer with 55 seconds left to tie the score.

No. 9 Michigan St. 97, Wisconsin 72: Shawn Respert scored 31 points in his final home game to lead the Spartans' rout in the last Big Ten game in Jud Heathcote's 19-year career at the school.

# Penguins Break Loose, But Can't Catch Quebec

## NHL HIGHLIGHTS

## NHL HIGHLIGHTS

them for the league lead. Buffalo had two 5-on-3 power plays, totaling 2:03, but got just two shots on goal and did not score.

**Nordiques 2, Islanders 1: Joe**

**Florida 2, Boston 0:** John Vanbiesbrouck got his third shutout this season, and 19th in the NHL, as Florida won in Boston.

**Vlade Divac and the Lakers rallied past the Bulls, 108-105.**

## *Jordan: Wait Continues*

son, has been unhappy, especially with the general manager, Jerry Krause. Pippen teamed with Jordan to lead the Bulls to three straight NBA titles but has been the subject of trade rumors since last summer.

Jamal Mashburn scored 15 of his 33 points in the third quarter for Dallas, while Houston's Hakeem Olajuwon had 34 points and 12 rebounds.

Colgate 68, Navy 63: Colgate won the Patriot League tournament championship Friday night on its home court in Hamilton, New York, qualifying for the NCAA tournament for the first time.

**NASDAQ NATIONAL MARKET**

**Consolidated trading—for  
ended Friday, March 10.  
(Continued)**

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## SPORTS

James, and New Putter,  
Win in Moroccan Open

Compiled by Our Staff From Despatches  
AGADIR, Morocco — Mark James, using a long-handled putter for the first time in a tournament, shot a course record 65 Sunday to win the Moroccan Open.

The 7-under-par final round gave him a one-shot victory over fellow Englishman David Gilford, who also carded 65.

James, whose last European Tour triumph was in the Canary Islands Open in February 1993, had eight birdies in his round and 10 single putts with his broom-handled putter.

Afterward, with his usual dry wit, he said: "I've been putting poorly for 18 years so I thought I might as well have a change."

James has often had problems with short putts, but on Sunday he knocked in the two- and three-footers without a tremor.

Still, Gilford and Sweden's Robert Karlsson, playing just ahead, were never out of the picture.

Karlsson, who shot 67, led when he reached the turn in 32 but he could birdie only one hole coming home and had to

settle for third place, two strokes back.

Gilford sank a 30-foot putt for birdie 3 at the 18th, which meant that James had to par the hole to win.

Two steady shots on to the green and James two-putted to win the first prize of \$92,160.

Mark O'Meara, after squandering four shots over the last four holes of the third round, still took a three-stroke lead into Sunday's last round of the Honda Classic in Fort Lauderdale, Florida.

Nick Faldo, after a round played in "at least a three-club wind," was in second place.

Ian Woosnam and Blaine McCallister, who grew up in wind-swept west Texas, shared third at 209. Woosnam shot 69 and McCallister 73.

Seve Ballesteros, holder of five major tournament titles, was in contention until a wildly erratic 76 that included eight bogeys and three birdies.

And then there was Mike Standley, in third place until he took a triple-bogey 6 on the 17th. (Reuters, AP)

## SIDELINES

## Wales to Host '99 Rugby Union Cup

BRISTOL, England (AP) — Wales has beaten out Australia and will play host to the 1999 Rugby Union World Cup, the International Rugby Board announced.

The matches will be spread around Wales, England, Scotland, Ireland and France, with England staging both semifinals at Twickenham. The final of the fourth World Cup will be staged at Cardiff Arms Park in November 1999.

Media tycoon Rupert Murdoch will launch an elite rugby league next year as a direct rival to the Australian Rugby League. Sydney's Sun-Herald newspaper reported on Sunday. It said nine clubs had already signed with Murdoch's breakaway "super" league, which will have a maximum of 12 teams. (Reuters)

## Bowe Knocks Out Hide in Round 6

LAS VEGAS (AP) — Riddick Bowe knocked Herbie Hide down seven times and stopped him in the sixth round to win the WBO heavyweight title.

Bowe took his share of punishment in the wild fight Saturday night, but the victory, which came at 2:25 of round 6, kept the 27-year-old in the heavyweight picture.

The 23-year-old Hide, a native of Nigeria living in England, battled back after the first six knockdowns. But when he went down for the seventh time from a left-right to the body and left-right to the head, the best he could do was to get to one knee as the referee, Richard Steele, counted him out.

## Sampras and Agassi Reach Semifinals

INDIAN WELLS, California (AP) — Top-ranked Pete Sampras and No. 2 Andre Agassi, both playing at top form, won their quarterfinal matches by identical 6-3, 6-4 scores in the \$1.8 million Newsworld Championships Cup.

Sampras, who was facing Stefan Edberg in one of Sunday's semifinals, needed only 78 minutes to eliminate No. 8 Todd Martin. Agassi, who will meet Boris Becker in the other semifinal, dispatched No. 7 Wayne Ferreira of South Africa in 74 minutes.

## For the Record

The trial involving Bernard Tapie and the other principals involved in allegations that Tapie's soccer club, Olympique Marseille, tried to rig a 1993 match against another French league team, is to begin Monday in Valenciennes. (AP)

Major league baseball's labor negotiations are to be resumed Tuesday near Orlando, Florida, with the team owners to present their "best offer" to the striking players. (WP)

The America's Cup race between Young America and Stars & Stripes was canceled because of heavy winds, ending the fourth round of the defender series; the semifinals begin March 18. (AP)

Sofia was confirmed as site of the 1996 European figure skating championships after assurances that improvements would be made in the organization of the event. (Reuters)

## SCOREBOARD

## NBA Standings

## EASTERN CONFERENCE

## Atlantic Division

W L Pct GB

New York 47 31 .606 0

New Jersey 45 33 .577 2

Philadelphia 43 35 .550 4

Washington 41 37 .526 6

Charlotte 39 39 .500 8

Orlando 37 41 .476 10

Atlanta 35 43 .449 12

Albany 33 45 .423 14

Washington 31 47 .395 16

Charlotte 29 49 .369 18

Orlando 27 51 .344 20

Atlanta 25 53 .319 22

Albany 23 55 .294 24

Washington 21 57 .269 26

Charlotte 19 59 .244 28

Orlando 17 61 .219 30

Atlanta 15 63 .194 32

Albany 13 65 .169 34

Washington 11 67 .144 36

Charlotte 9 69 .119 38

Orlando 7 71 .094 40

Atlanta 5 73 .069 42

Albany 3 75 .044 44

Washington 1 77 .019 46

Charlotte 0 79 .000 48

Orlando 0 81 .000 50

Atlanta 0 83 .000 52

Albany 0 85 .000 54

Washington 0 87 .000 56

Charlotte 0 89 .000 58

Orlando 0 91 .000 60

Atlanta 0 93 .000 62

Albany 0 95 .000 64

Washington 0 97 .000 66

Charlotte 0 99 .000 68

Orlando 0 101 .000 70

Atlanta 0 103 .000 72

Albany 0 105 .000 74

Washington 0 107 .000 76

Charlotte 0 109 .000 78

Orlando 0 111 .000 80

Atlanta 0 113 .000 82

Albany 0 115 .000 84

Washington 0 117 .000 86

Charlotte 0 119 .000 88

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Albany 0 195 .000 164

Washington 0 197 .000 166

Charlotte 0 199 .000 168

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## NBA Standings

## WESTERN CONFERENCE

## Pacific Division

W L Pct GB

Portland 47 31 .606 0

Seattle 45 33 .577 2

San Antonio 43 35 .550 4

Phoenix 41 37 .526 6

Los Angeles 39 39 .500 8

Golden State 37 41 .476 10

Utah 35 43 .449 12

San Diego 33 45 .423 14

Los Angeles 31 47 .395 16

Portland 29 49 .369 18

Seattle 27 51 .344 20

San Antonio 25 53 .319 22

Phoenix 23 55 .294 24

Los Angeles 21 57 .269 26

Golden State 19 59 .244 28

Utah 17 61 .219 30

San Diego 15 63 .194 32

Los Angeles 13 65 .169 34

Portland 11 67 .144 36

Seattle 9 69 .119 38

San Antonio 7 71 .094 40

Phoenix 5 73 .069 42

Los Angeles 3 75 .044 44

Golden State 1 77 .019 46

Utah 0 79 .000 48

San Diego 0 81 .000 50

Los Angeles 0 83 .000 52

Portland 0 85 .000 54

Seattle 0 87 .000 56

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Phoenix 0 91 .000 60

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Golden State 0 113 .000 82

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Golden State 0 131 .000 100

Utah 0 133 .000 102

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Portland 0 139 .000 108

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San Antonio 0 143 .000 112

Phoenix 0 145 .000 114

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Golden State 0 167 .000 136

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San Diego 0 171 .000 140

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Phoenix 0 181 .000 150

Los Angeles 0 183 .000 152

Golden State 0 185 .000 154

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San Diego 0 189 .000 158

Los Angeles 0 191 .000 160

Portland 0 193 .000 162

Seattle 0 195 .000 164

San Antonio 0 197 .000 166

Phoenix 0 199 .000 168

Los Angeles 0 201 .000 170

Golden State 0 203 .000 172

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Utah 0 223 .000 192

San Diego 0 225 .000 194



EU Refuse  
Talks With  
Canadians  
Over Boat

AP 12/15/95

# Herald Tribune SPORTS

MONDAY, MARCH 13, 1995

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## Gold for China, And for Skating

By Christopher Clarey  
Special to the Herald Tribune

BIRMINGHAM, England

On the day skating officials were knocking down administrative barriers in hopes of creating a more stable future for their sport, Chen Lu was gracefully knocking down barriers of her own on the ice.

The first Chinese figure skater to win a bronze at the world championships is now the first Chinese skater to win a gold. The 18-year-old Chen did it on Saturday, closing out the championships with a smooth and culturally correct freestyle program set to music from the film "The Last Emperor."

Her performance was error-free and just technically challenging enough to give her an edge over her largely teenage opposition.

Surya Bonaly of France, the oldest of the main contenders at 21, took her third consecutive silver, this time without thumbing her nose at the judges. Nicole Bobek, the 17-year-old from Chicago who led after the short program, settled for the bronze after falling twice during her free skate.

Clearly, the lifting music to the film "The Last Emperor" just does not lend itself to happy endings. But though Bobek was teary-eyed and apologetic when her program concluded, she later could look back and wax proud of herself.

A year ago, she failed to advance out of the qualifying rounds at the world championships. This year, despite having to cope with publicity about her conditional guilty plea to a charge with the unwieldy name of "home invasion," she enchanted the crowd and clearly acquired some potentially valuable admirers among those who award the marks.

"I think this has helped a lot," she said. "I proved to a lot of people that all these things written about me didn't affect me, if that's what they wanted to happen."

Less than 24 hours before Chen Lu broke new ground for China, the Russian dance team of Oksana Grischuk and Yevgeny Platov covered familiar territory by defending their title with a free dance based on the routines of Fred Astaire and Ginger Rogers. The choice was slightly provocative, since the British ice dance legends Jayne Torvill and Christopher Dean used the same theme for their Olympic comeback in 1994.

The crowd favorites, Susanna Rahkamo and Petri Kokko of Finland, got the silver medal; Sophie Moniotte and Pascal Lavanchy of France were third. The couple to watch in the future finished fourth: the innovative Canadians Shae-Lynne Bourne and Victor Kraatz.

"This medal is special because we are going professional, and this will be our last world championship," Platov said.

That remains to be seen, because the next morning the International Skating Union announced major changes in an attempt to diminish the growing power of independent promoters and slow the talent drain to the professional ranks.

Prize money will be offered

at all world championships next season in figure skating, as well as speed skating and short-track. The number of figure-skating competitions open to both professionals and Olympic-eligible competitors will be increased from two to eight.

The ISU's council, the 13-member board that sets policy, also said it would push for the creation of a Grand Prix in which the skating federations of Canada, France, Germany, Japan and the United States would create an international circuit from existing events such as Skate America and the Trophée de France. Prize money and points would be awarded, and top finishers would be eligible to compete in a new season-ending event called the Grand Prix final.

Professional skaters would not be eligible to compete on the Grand Prix circuit.

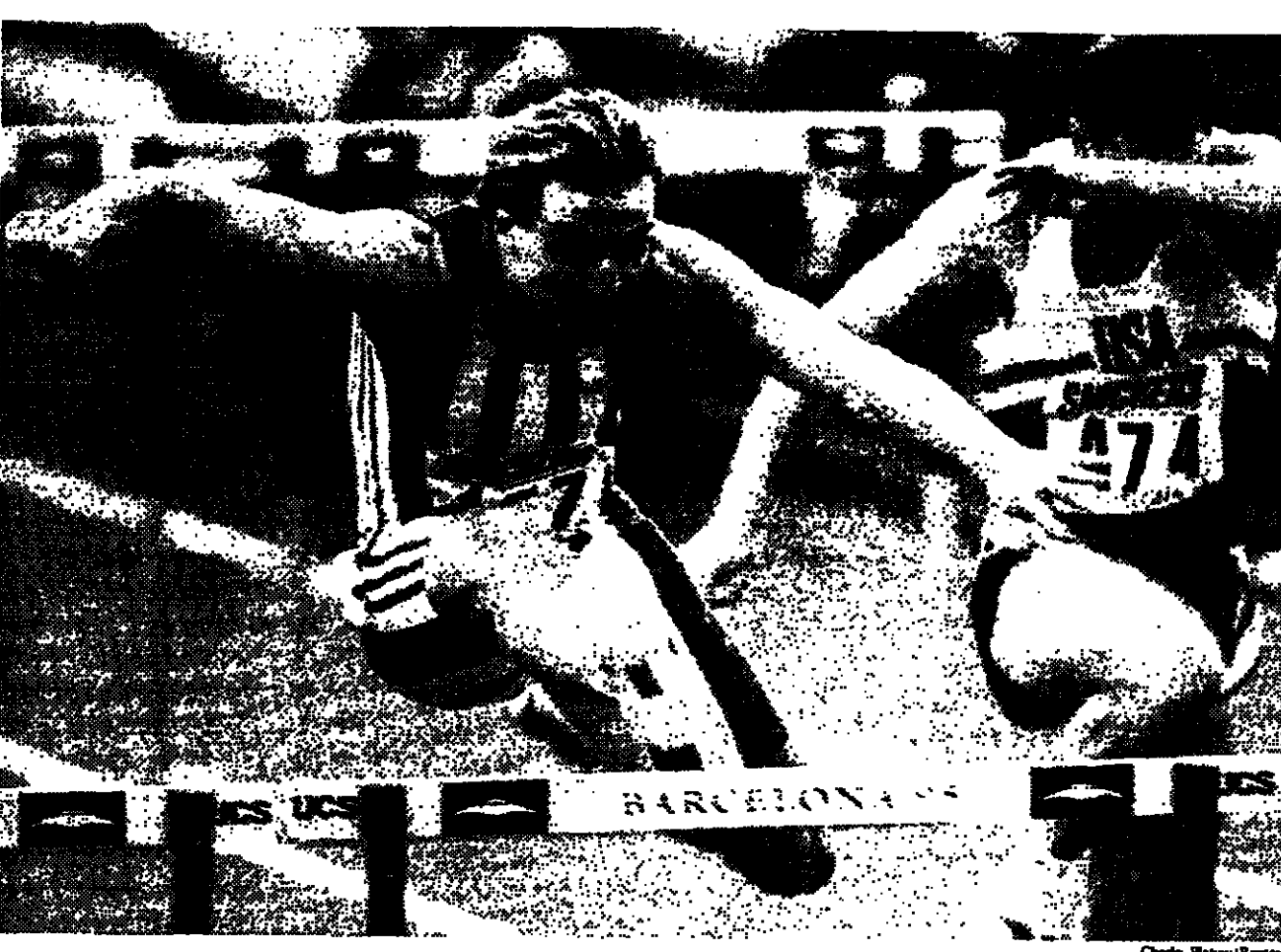
"If I were an eligible skater, I would definitely think twice before going ineligible after this," said the new ISU president, Octavio Cinquanti, who made it clear the announcements had been timed to encourage professionals to gain reinstatement by the April 1 deadline.

The skater the ISU would most like to see back in the mix is Oksana Baiul, the charismatic Ukrainian teenager who won the Olympic women's title last year before turning professional. Baiul, who has expressed her desire to be reinstated but not committed to it, was in Birmingham as an observer.

She must have noticed, to her chagrin, that the technical difficulty continues to increase. Bobek opened with a triple loop combination; Bonaly did four triples and two double Axels in the 75 seconds of her free program (and not a whole lot else worth mentioning afterward).

And then there was the American Michelle Kwan, the 14-year-old daughter of Chinese immigrants. She was the last competitor to skate Saturday, and all she did was upstage her elders with a flawless free program that included seven triple jumps that would earn her fourth place overall.

Kwan is normally poised well beyond her years, but, as she glided off the ice following the afternoon's only standing ovation, she began to tremble and cry. But the tears were tears of release. Both she and her sport appear to have a bright future.



Christian Plaziat of France, running in the 60-meter hurdles, won the heptathlon, with Czech Tomas Dvorak second.

## Schneider Wins Women's Slalom Title

Compiled by Our Staff From Dispatches

PARPAN, Switzerland — Vreni Schneider of Switzerland, the triple Olympic champion, clinched her sixth world slalom title on Sunday despite finishing second to Pernilla Wiberg of Sweden in the penultimate World Cup slalom of the season.

Wiberg won her first World Cup slalom this season in an aggregate time of 1 minute, 17.31 seconds, but a blistering run in the second leg lifted Schneider from fifth to second place in 1:17.68.

That was enough to raise the Swiss veteran's slalom tally to 460 points, well beyond the reach of Germany's Martina Ertl, who has 278 with one race left, next week. Ertl finished third on Sunday in 1:17.94.

Schneider's performance also vaulted her to the top of the overall World Cup standings, with 1,090 points, and dropped Katja Seizinger of Germany down to second at 1,055. Heidi Zeller-Bühler of Switzerland dropped to third at 990.

Schneider, 30, who has 54 career World Cup triumphs, was cautious about the impact of the coming finals in Bormio, Italy, on the season.

"It's difficult to say whether I will win the overall title, but this

weekend was a decisive step," she said.

Wiberg, an all-rounder who was runner-up to Schneider in the overall World Cup last year, also won the combined, a paper discipline, which added another 100 points to her overall total. Schneider was second in the combined, picking up another 80 points for her overall total.

On Saturday, Picabo Street became the first U.S. skier to win a World Cup downhill title, with a split-second victory over Warwara Zelenskaja of Russia in Leuzenheide, Switzerland.

Street staged a brilliant late spurt, finishing in 1:50.57, six-hundredths of a second ahead of Zelenskaja. Renate Götschl of Austria was third in 1:50.71.

It was Street's fourth straight victory and fifth this season. She is the first American, man or woman, to win a World Cup downhill title.

Street has 609 points in the downhill standings. Her teammate Hilary Lindh, who won two races earlier this season, is second with 443 points. Seizinger, the Olympic downhill champion, is third at 400. With one downhill left, Street's lead is unassailable.

She has won more downhill races this season than any other U.S. skier in an entire career.

(AP, Reuters)



Pernilla Wiberg won the penultimate slalom on Sunday.

## Bad Weather Curtails Men's Races in Norway, U.S. Protests

Compiled by Our Staff From Dispatches

KVITFJELL, Norway — Bad weather forced organizers to cancel a men's World Cup super-G race Sunday, as the United States lodged a protest with the International Ski Federation for annulling a downhill last week that the race jury had called good.

Poor visibility, which also marred two downhill races on the Olympic course, high winds and driving snow forced the jury to cancel the super-G on Sunday. The race could be rescheduled for Bormio, Italy, where the World Cup finals start Wednesday.

On Saturday, Pietro Vitalini of Italy

won the downhill that replaced the disputed March 5 race, which had been curtailed by bad weather in Aspen, Colorado. Kyle Rasmussen of the United States won the day's other downhill.

FIS, the sport's international governing body, on Wednesday overturned a unanimous decision by the Aspen race jury, which had awarded victory to A. J. Kitt of the United States in a race called off after only 31 of the 68 entrants had competed. Normally, two-thirds of the racers, in this case 44, must compete before a World Cup event is official.

"If we let a bunch of people sitting thousands of kilometers away decide a

race, the sport is going to die," said the U.S. coach, Tomas Karlsson.

He said the U.S. Ski Federation sent a protest during the weekend to FIS in Geneva against letting third-party jurors handle protests.

The return downhill on Saturday was also curtailed by bad weather, with only 37 skiers finishing. The race jury, including two of the people from Aspen, ruled that it was good.

"Vitalini's win was fair, but either none of these two races or both Aspen and Kvitfjell should count," Karlsson said.

Vitalini was timed in 1 minute, 44.13 seconds down the 3,035-meter course,

where Tommy Moe of the United States won his Olympic gold medal last year.

Moe tore ligaments in his right knee in a fall during Friday's super-G, ending his World Cup season.

Josef Strolz, the rising star from Austria, was four-hundredths of a second behind Vitalini. Another Austrian, Armin Assinger, was third in 1:44.43.

In the second race, Rasmussen flashed down a shortened course in 1:37.10 seconds, beating Kristian Ghedina of Italy by 11 hundredths of a second. Patrick Ortlieb of Austria was third in 1:37.39.

(AP, Reuters)

## Privalova Shines In Barcelona

By Ian Thomsen  
International Herald Tribune

BARCELONA — Outside the bare flag poles rimming the 1992 Olympic Stadium were rattling in the cool, winter wind — they were the white, chattering skeletons of Fernin Cacho's stadium — while next door at the 5th IAAF World Indoor Championships, little worthy of the title was happening at all.

The International Amateur Athletic Federation has promised that this will not happen again, that prize money will be used to lure the world's greatest professionals to the next indoor championships, in 1997 (although no one doubts that a few favorites were paid — otherwise why was Sergei Bubka here?).

But it will come too late for the sophisticated Barcelonans, who appeared to fill only half the seats over three days at the Palau Sant Jordi. If receiving these lackluster championships was their reward for the Olympic successes of 1992, then the final reckoning has to be that they have done more for the sport than it has done for them.

A few glimmers came from the likes of Irina Privalova, who decided to challenge the 400-meter world record of 49.59 seconds on Sunday without really training for it. She might have broken it, too, had someone been able to push her; no sooner had the lanes merged than she was bursting away in a higher, dazzling gear to become the first woman with world titles in the 60, 200 and 400 meters indoors.

Her performance of 50.23 seconds was the fourth-best of all time, and she believes it will help her over 100 meters this summer at the outdoor world championships in Gothenburg, Sweden.

A weak U.S. team prevailed in the final hours Sunday with four gold medals, led by Allen Johnson's championship record of 7.39 seconds in the 60-meter hurdles. Colin Jackson was not here, but Johnson is the next best thing, having stopped the Briton's winning streak this season.

Behind Johnson were his teammate Courtney Hawkins in 7.41 seconds, Tony Jarrett of Britain in 7.42 and Mark McKoy, the former Canadian now running for Austria, in 7.46.

Another American, Darnell Hall, was almost elbowed off the track midway through the 400 meters before regaining his stride and kicking past Sunday Bada of Nigeria to win in 46.17 seconds.

Maria Mutola of Mozambique won the 800 meters in 1 minute, 57.62 seconds, beating the field by more than two seconds but losing to the clock.

"I tried to beat the world record," she said, having failed by 1.22 seconds. "But it is difficult alone. You need help."

There was a world record of 15.03 meters by Yolanda Chen of Russia in the triple jump on Saturday. It remains to be seen whether the IAAF president, Primo Nebiolo, will try telling his corporate sponsors that they got their money's worth on the basis of the women's triple jump.

Most of the winners probably

had not realized how easy it was to own their own world championship gold medal. Geir Moen, a 25-year-old Norwegian sprinter, would be satisfied to finish in the top five outdoors in Gothenburg. Here, however, he knew that John Regis of Britain had gone home with an injured hamstring, and that the surviving finalists for the 200-meter final Saturday night did not rank in the top 10 this season.

Running in the outside lane, unable to see the others behind him, Moen came out of the turn stumbling to avoid the wall and still won unchallenged in 20.58 seconds. An IAAF statement soon afterward trumpeted that "he confirmed his high quality last year winning in the European Championships of Helsinki and thus becoming today's best white sprinter."

It is the sort of reverse stereotype that the likes of Jackie Robinson never would have imagined. Moen laughed when told of his new title, then disowned it.

"I don't like that because I want to be, I'm trying to be, the best sprinter in the world," said Moen. "I hope I can improve and try to be at the top in a few years. To stop here and be the best white sprinter is not a goal for me."

Is the color of his skin seen as a handicap?

"Yeah," he said. "I've heard before that you can't be a world-class sprinter coming from a cold, northern country and being white. But as everyone else on the track, I have two arms and two legs, so on that we're equal. I don't think I have a handicap — I hope."

Then, in contrast, there was the sad return of Fernin Cacho, the Spanish miler who had become the first man since 1904 to win the Olympic 1,500 meters on home soil. He was probably the most celebrated of all the triumphant Spanish athletes two and a half years ago, with his face on the posters selling this event. He felt a responsibility to the Olympic memory, training all winter to perform an encore, not for the glory of an inglorious meet, but to honor the spirit that blessed him.

He and his teammate Mateo Camellas ran shoulder to shoulder to start, forcing a slow pace until Hicham El Guerrouj, a 20-year-old Moroccan, ran blithely to the front.

By comparison, Cacho always runs hunched, as if throwing punches to the body, but now the punches seemed less effective. In fact, he was absorbing more elbows and shoves than he gave.

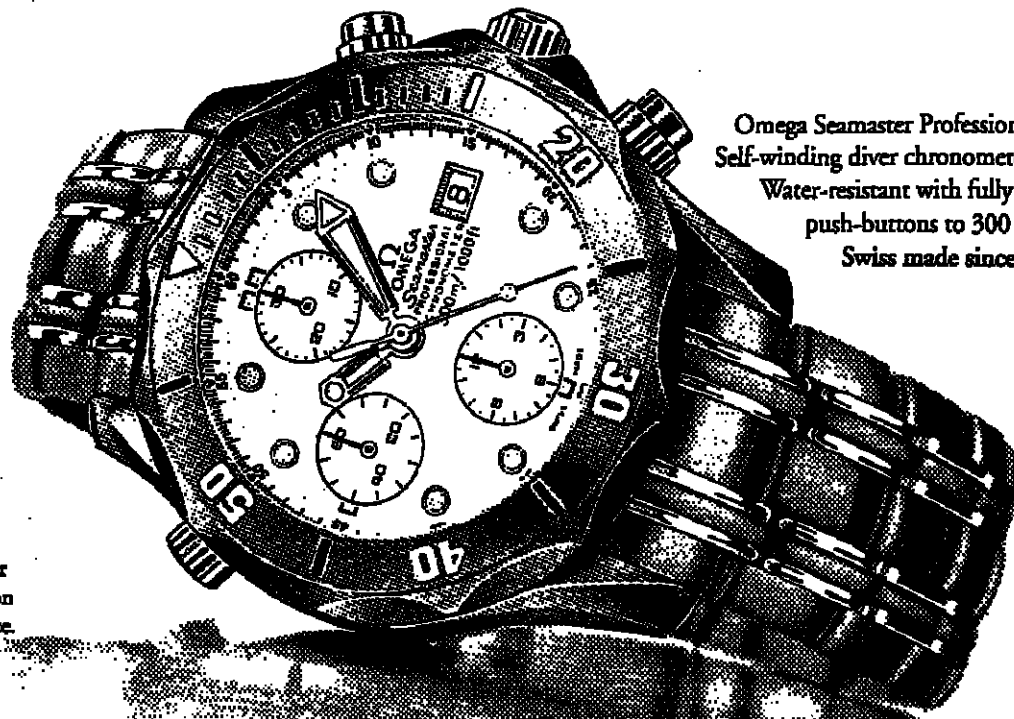
The lap bell rattled but the crowd in the half-empty arena mustered only an echo of a roar. Cacho kept waiting for it to mix with his blood.

At last, it seemed to strike him in this oddest of settings, as four others were passing him down the stretch, just how special that day had been two and a half years ago. He looked surprised to be realizing it now.

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